STATUS OF FEDERAL MASS TRANSIT PROGRAMS

(102-11)

HEARING

BEFORE THE

SUBCOMMITTEE ON
INVESTIGATIONS AND OVERSIGHT

OF THE

COMMITTEE ON
PUBLIC WORKS AND TRANSPORTATION
HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

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COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT

MEMORANDUM

March 5, 1991

To: Members, Subcommittee on Investigations and Oversight

From: Subcommittee Staff

Subject: Briefing Memo - Hearing on *The Status of Federal Mass Transit Programs*; Tuesday, March 5, 2:00 p.m., 2253 RHOB

PURPOSE OF HEARING

The purpose of this oversight hearing is to examine the Federal investment in the Nation's public transit facilities and the need for improved transit services to reduce traffic congestion, improve air quality and to ensure that the Nation develops a state-of-the-art, integrated, multi-modal transportation system.

BACKGROUND

The Urban Mass Transportation Act of 1964, as amended, authorizes the Urban Mass Transportation Administration (UMTA) to provide financial assistance for the development of new public transit facilities, such as light rail subways, or for the improvement, maintenance and operation of existing systems, including buses, subways and trains.

Federal transit grants are made from the Mass Transit Account of the Highway Trust Fund through the Section 3 discretionary program, and from general revenues and a much smaller amount of the Mass Transit Account through the Section 9 formula program. Depending upon the type of grant, grantees contribute matching funds that range from about 20 to 50 percent of eligible project costs.

Since the early 1980s, over half of the discretionary grants have been earmarked by Congress for specific mass transit projects; the remainder have been selected and awarded by UMTA's Administrator. Formula grants, as the name suggests, are apportioned by a statutory formula based upon population, transit service and ridership statistics.

It is estimated that UMTA has provided about $60 billion to help build, rehabilitate and operate the Nation's mass transit system and currently oversees about 4,400 grants totaling about $36 billion.

DECADE OF DECLINING FEDERAL TRANSIT FUNDING

According to the General Accounting Office (GAO), Federal transit funding declined from $4.8 billion in fiscal year 1981 to $3.2 billion in fiscal year 1991--almost a 50% reduction when inflation is taken into account.

Through fiscal year 1990, Federal funding for all transit grants was generally reduced each year. For example, Section 3 funding declined from $2.1 billion in 1981 to less than $1.0 billion in 1990, and Section 9 funding declined from $2.3 billion in 1984 to $1.6 billion in 1990. Federal operating assistance for urban areas fell from $1.1 billion in 1980 to under $800 million in 1989.

The source of Federal transit funds has also changed over the past decade. The Surface Transportation Assistance Act of 1982 increased the Federal gasoline tax by five cents, with a penny of that earmarked for transit in a special Mass Transit Account. Prior to that time, transit assistance was provided entirely from general revenues. Since 1983, about 30 percent of UMTA's funds have come from the Mass Transit Account.

Through the end of fiscal year 1991, the Mass Transit Account is expected to have a balance of about $8.4 billion, with $4.1 billion in unobligated funds.

CHANGES IN THE STRUCTURE OF THE FEDERAL TRANSIT PROGRAM

The structure of the Federal transit assistance program has been shifting gradually away from discretionary to formula funding for capital and operating assistance. The 1982 act created a new Section 9 formula grant program as the primary assistance program for capital investments and operating assistance to urban areas and limited the use of Section 3 discretionary funds to new construction, rail modernization and bus purchases.

Since 1982, the Administration's annual budget proposals have recommended further changes to Federal transit programs. These included: (1) reducing or eliminating the discretionary program, along with many of the categorical restrictions on the use of Federal funds; and (2) using block grants funded almost entirely from the Mass Transit Account. However, Congress has refused to adopt these changes.

LOOKING TOWARD THE FUTURE

On February 13, 1991, the Administration announced a five year, $105 billion package reauthorizing mass transit ($16.4 billion) and highway and highway safety ($88.6 billion) programs. According to DOT, the proposal is a major step toward a systems approach to plan, fund, and oversee the nation's mass transit and highway needs.

Questions have been raised concerning the amount which the Administration is proposing to spend on transit programs and the relative size of the transit program as compared to Federal highway spending.

The American Public Transit Association (APTA) has estimated that $8 billion to $11 billion will be needed annually--three times greater than DOT proposes--just to maintain transit systems. APTA criticized the Administration's proposal for lowering the Federal

share for transit programs after a decade of reduced Federal transit spending and for exacerbating the existing inequity between Federal support of highway and transit projects.

The Administration's proposal reduces the Federal share for transit from 80/20 and 75/25 to 60/40 in most cases, and 50/50 in the case of new starts. Additionally, the Administration is seeking to eliminate operating assistance for operators in urban areas with populations over one million.

At a time when many states and localities are already strapped for funds, some contend that these changes are likely to force many transit systems to raise fares and cut service. Often fare increases result in reduced ridership as people switch back to their automobiles.

The decrease in Federal share is not uniform between transit and highways under the Administration's proposal. While the Administration is proposing to reduce the Federal share for transit to 60 percent, some highway projects would continue to receive a 75 percent Federal share. Consequently, under some circumstances local governments may have a financial incentive to opt for highway over transit, despite the fact that transit could have long-term advantages when environmental, energy conversation, and congestion factors are considered.

Finally, although general revenues were used to fund the lion's share (about 70%) of mass transit over the past decade, DOT now proposes to fund mass transit programs exclusively from the mass transit account. As of October, 1990, the Mass Transit Account receives 1.5 cents of the 14 cent Federal gasoline tax. DOT projects that the account will generate sufficient funds to cover the five year $16.4 billion mass transit program through fiscal year 1996, assuming existing surpluses in the account are made available for expenditure.

After fiscal year 1996, if the surpluses in the trust fund have been fully spent, transit will be left with only $1.7 billion in dedicated revenue to fund an estimated $3.3 billion transit program. Without general revenue support, it is unclear how the nation's transit needs will be met.

TRANSIT AND CLEAN AIR

It is important to recognize that transit's greatest contribution to clean air lies in its ability to provide a low-cost, reliable alternative to the single occupant automobile. Increased transit ridership helps to reduce vehicle emissions. The American Public Transit Association estimates a single commuter that uses mass transit instead of a car reduces hydrocarbon emissions by nine pounds, carbon monoxide emissions by 63 pounds, nitrogen oxide emissions by five pounds, and particulate matter by one pound on a yearly basis.

Improved and expanded mass transit in the more seriously polluted areas of the country will also result in significant reductions in vehicle miles travelled (VMT), therefore contributing to improvements in air quality. Mass transit also minimizes problems associated with urban traffic congestion and contributes, through reduced fuel usage, to energy security.

The benefits of mass transit can be exemplified through the example of the Philadelphia, Pennsylvania transit system. William Reilly, Assistant Health Commissioner of the Philadelphia Air Management Services, testified before the Subcommittee on Investigations and Oversight last year that approximately 70 percent of employees working in downtown Philadelphia use public transportation. If mass transit did not exist in the Delaware Valley, one-quarter of a million additional vehicles would attempt to enter downtown Philadelphia every morning, 45 new highway lanes would have to be built to handle the additional traffic; and parking in the downtown area for these additional vehicles

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would be unavailable. The Delaware Valley's mass transportation system relieves metropolitan air pollution problems attributed to urban congestion.

Increased use of transit could lead to significant improvement in the Nation's air quality. In 1988, urban ozone concentrations returned to levels not seen in nearly a decade; the number of ozone violation days in the Eastern United States increased from about 380 in 1986 to more than 1,250 in 1988. Environmental Protection Agency (EPA) data indicates mobile sources are the principal contributor to urban air pollution. Forty to 60 percent of nitrogen oxides and hydrocarbons are from mobile sources, while 70-80 percent of carbon monoxide emissions also result from mobile sources.

Vehicle miles travelled have increased nationally at about 2.5 percent per year, and in many rapidly growing metropolitan areas, increased at 4-6 percent per year. At these growth rates, vehicle use will double in many urban areas by 2010. Absent technological improvements, vehicle emissions will soon begin to grow at rates comparable to VMT. It is estimated by EPA that by 1994, total vehicle emissions will begin to increase again for the first time since 1970. Altering our historic reliance on the single occupant vehicle is key to air quality enhancement, considering these EPA projections.

Given the very important benefits mass transit contributes to air quality, should the Federal government provide funding to transit agencies to help meet the cost associated with new Clean Air Act requirements, and if so, at what level? There are enormous costs borne with converting fueling facilities and fuel storage areas to alternative fuels.

The Southern California Rapid Transit District (SCRTD) initiated a study involving 18 of the nation's largest public transit systems, and inquired about the cost impacts of new requirements contained in the 1990 Clean Air Act. These transit systems represent a total of over 20,000 buses in operation. The cost estimates generated by the 18 transit systems were

then extrapolated to represent all metropolitan areas with populations greater than 750,000. The survey contains information relating to: (1) fleet costs; (2) fuel costs; and (3) facility costs.

Based on the results of the survey, the estimated cost to replace a bus with alternative fuel technology includes: $190,000 for diesel, $238,000 for methanol, $254,000 for CNG, and $204,000 for diesel particulate traps. The total estimated cost for a national fleet of 39,000 buses would be $7.4 billion for diesel, $9.3 billion for methanol, $9.9 billion for CNG, and $8 billion for diesel particulate traps. When fuel costs were extrapolated for a national fleet, a total estimated fuel cost was arrived at, $185 million for diesel, $536 million for methanol, $240 million for CNG, and $228 million for diesel particulate traps.

The survey results for new fueling facilities vary, depending on municipal codes, environmental regulations and land acquisition requirements. Because of these variations, nationwide results were not calculated. However, based on the SCRTD's own experience, the added construction cost of building a new methanol fueling facility would range between five and 15 percent over the same size diesel fuel facilities or roughly a little over one million dollars per facility. In addition, the use of CNG fuel in transit buses would require a completely new fuel storage and dispensing system. The cost for a new CNG fuelling station for a large fleet operation (up to 250 buses) would be in the range of 1.5 to 3.5 million dollars, depending on the fuelling time requirements of the transit property.

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WITNESSES

1. Mr. Brian W. Clymer, Administrator, Urban Mass Transportation Administration
2. Mr. Kenneth M. Mead, director of transportation issues, General Accounting Office
3. Mr. Louis J. Gambaccini, General Manager, Southeastern Pennsylvania Transportation Authority

   Mr. Thomas M. Downs, Commissioner, New Jersey Department of Transportation

   Mr. William Hein, Deputy Executive Director, Metropolitan Transportation commission of San Francisco

   Ms. Dinah Minteer, Manager, Rail Services, North County Transit District - Oceanside, California

STATUS OF FEDERAL MASS TRANSIT PROGRAMS

TUESDAY, MARCH 5, 1991

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT,
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:00 p.m. in room 2247, Rayburn House Office Building, Hon. Robert A. Borski, Jr. [chairman of the subcommittee] presiding.

Mr. BORSKI. The Subcommittee on Investigations and Oversight will come to order.

This afternoon the subcommittee will examine this Nation's transit policies. We will specifically review where we have been over this last 10 years and where we are headed.

To help us with this task we have assembled some of the most talented people in the mass transportation industry. I am also pleased that the General Accounting Office is here to provide us with an historical analysis of transit activities over the last decade.

Mass transit is crucial in moving people in and out and around our Nation's major urban centers. The latest figures from the U.S. Census Bureau indicate that 76 percent of all Americans now live in metropolitan areas. Clearly, there is a strong, vital need for a highly-developed transportation system to efficiently move these individuals. Yet, if you read this Administration's recent proposal, mass transit continues to be the ugly stepchild of Federal transportation policy.

In the year following the historic passage of the Clean Air Act, the American public has reason to believe that in the face of gridlock in our cities, increased air pollution, global warming, and war in the oil-rich Middle East, a tilt could be expected in favor of more energy-efficient and environmentally-sensitive modes of transportation.

Not only has no tilt materialized, but the historic imbalance of funding for less energy-efficient, less environmentally-sensitive modes of transportation is made worse by the current Administration's proposal.

True, the proposal for fiscal year 1992 is 46 percent above the request for fiscal year 1991, and it is true that this request is 2 percent above the fiscal year 1991 enacted level. But this 2 percent increase compares unfavorably with a 14 percent increase for FAA, an 8 percent increase for the Coast Guard, and a 5 percent increase for federal highways.

To those who are tempted to take comfort in a marginal increase in transit funding this year, I would observe that the $3.3 billion requested for fiscal year 1992 puts that budget just slightly above the amount requested by President Reagan for fiscal year 1983. I would further observe that this reluctance to embrace transit comes from an Administration in which both the DOT Secretary and the UMTA Administrator, ironically, are former transit officials.

At a time when we should be investing in efficient, clean, and practical transportation systems, it appears we are pursuing the all too familiar policy of neglecting mass transit. Today's hearing will provide us with an opportunity to understand what consequences lie ahead should we continue to ignore these needs.

At this time I will yield to the subcommittee's ranking Republican member, Mr. Packard of California.

Mr. PACKARD. Thank you, Mr. Chairman. We are delighted to have the ranking member of the full committee, John Paul Hammerschmidt, the distinguished Member from Arkansas, and I would like to yield part of my time to him.

Mr. HAMMERSCHMIDT. Thank you very much.

Mr. Chairman, I am very pleased to join you and the subcommittee's ranking Republican, Mr. Packard, as you meet to examine mass transit financing and policy—present, past, and future. I think it is certainly helpful to have background work, such as today's hearing, taking place as we begin to write the new highway and mass transit bill. I am also very pleased to see that Administrator Clymer is here as your leadoff witness.

We are also having posture hearings on aviation in the full committee which I'm involved in, so I regret that I won't be able to stay, even to hear Mr. Clymer's opening statement. But I assure you that we will examine the record very closely and it will be very helpful to us, as well as the knowledge of all the other witnesses who are scheduled here today.

Thank you very much.

[Mr. Hammerschmidt's prepared statement follows:]

OPENING STATEMENT OF HON. JOHN PAUL HAMMERSCHMIDT—HEARING ON TRANSIT FINANCING AND POLICY

Thank you, Mr. Chairman, I am pleased to join with you and the subcommittee's ranking Republican, Ron Packard, and the rest of the subcommittee's members as you meet to examine mass transit financing and policy: past, present and future.

As our Committee on Public Works and Transportation moves toward reauthorization of the Federal highway and transit programs, it is certainly helpful to have background work such as today's hearing in place.

I am certain that the testimony of today's witnesses will assist greatly in our efforts to shape the new programs. In that regard, I particularly want to thank the UMTA administrator, Brian Clymer, for his appearance today.

In keeping with the subcommittee's policy, I will keep my opening remarks brief, Mr. Chairman, and only say again, in closing, that I anticipate the subcommittee's efforts will be beneficial.

Thank you Mr. Chairman.

Mr. PACKARD. Thank you, John Paul.

Thank you, Mr. Chairman. I join with you in welcoming those who will be testifying before us this afternoon, and especially Mr. Clymer, the Administrator of UMTA. He is making his first appearance before our committee and we appreciate that very much.

I also want to especially acknowledge and welcome Ms. Dinah Minteer. She is Manager of Rail Services for the San Diego North County Transit District. I used to serve on the board of that transit district in Oceanside, California. We in San Diego County, and indeed in Southern California, view the efforts of the transit district there as one of the success stories in transit funding and operations, and we are very pleased to have Ms. Minteer here to explain and share that story with the subcommittee.

Mr. Chairman, I want to thank you for scheduling this important oversight hearing on transit finance and policy. Faced with the monumental task of reshaping and authorizing the so-called post-interstate surface transportation program, the Committee on Public Works and Transportation is well served by this timely inquiry. While there are many things in the administration's comprehensive proposal that I support, I do have reservations about some, including cutbacks in the operating assistance for transit in the larger urbanized areas.

I agree with you, Mr. Chairman, that we need to begin thinking intermodally in our efforts to address the Nation's surface transportation needs into the next century. I believe, too, that kind of thinking is precisely what is required in Southern California, which is a non-attainment area for clean air. Not only can transit move people and ease roadway congestion, it can, as part of a comprehensive plan, help immeasurably in attaining the Clean Air Act's goals and requirements.

Today's hearing gives the subcommittee the opportunity to explore these and other issues with our witnesses.

Again, I want to thank you for holding the hearing. I look forward to a very productive session.

Mr. BORSKI. Thank you, sir.

The gentleman from Illinois?

Mr. LIPINSKI. I thank the chairman very much. I particularly thank the chairman since I am not really a member of this Oversight and Investigations Subcommittee, but he knows I have a great deal of interest in mass transit. Consequently, he was gracious enough to invite me here today. I appreciate his calling these witnesses to testify today. I think the hearing will be very informative and I think it will be very important. I look forward to hearing what people have to say.

Thank you, Mr. Chairman.

Mr. BORSKI. Our first witness will be the Honorable Brian Clymer, the Urban Mass Transportation Administrator. I might add that it is clear to me that he is the most accessible and the most knowledgeable administrator that we've had in some time.

So, Mr. Clymer, I am very pleased that you can be with us.

[Witness sworn.]

Mr. BORSKI. You may proceed in any way you wish, sir.

TESTIMONY OF BRIAN W. CLYMER, ADMINISTRATOR, URBAN MASS TRANSPORTATION ADMINISTRATION

Mr. CLYMER. Thank you, Mr. Chairman, members of the subcommittee. My name is Brian Clymer. I am the Administrator of the Urban Mass Transportation Administration, an agency of the

United States Department of Transportation. I am pleased to have this opportunity to appear before you today to discuss federal mass transportation policy and the administration's proposal for reauthorization of the Federal Mass Transportation Assistance Program.

I would like to highlight briefly some of the key issues that are in the written statement that I have submitted separately for the record.

The Urban Mass Transportation Administration, or UMTA—proposed to be renamed the Mass Transportation Administration—is the principal source of Federal financial assistance for urban mass transportation in this Nation. Since its first authorization in the mid-1960s, UMTA has provided almost $60 billion in funding to systems throughout the country and has played an important role in helping public mass transportation in our country reverse decades of neglect, deferred maintenance, and consequent loss of patronage. In addition, UMTA provides funding to non-urban and rural communities through a series of programs administered by the states.

Thus the mission of UMTA is to provide assistance to state and local governments in the planning and provision of mass transportation in urban, suburban, and rural areas. We do this through a combination of formula and discretionary grants to state and local agencies. The reauthorization proposal we recently submitted to Congress continues to utilize this basic framework, although it proposes some important changes.

The spirit and vision behind the National Transportation Policy issued by President Bush a year ago this Friday should end any debate as to whether there is a federal role in mass transportation assistance or not. There is.

We believe that as we move forward together into the future, the success that the UMTA program has had in the past will provide ample motivation for officials at all levels to redouble their efforts to ensure that mass transportation is adequately and securely financed and provided with flexible and stable resources to carry out its vital mission.

Improving mass transit in the coming decade calls for a multimodal, flexible approach that builds on a cooperative effort among the Federal Government, state and local governments, and the private sector. These sectors must work together to assure that transit services meet the overall goals of enhancing urban and rural mobility; that existing transit facilities and equipment are well-maintained and used effectively; that new major transit investments are based on sound analysis of the costs and benefits of such systems; and that funding flexibility by all levels of government is increased.

Our near-term objective must be to assure that our transit systems provide the level and type of service needed to provide mobility to America's disabled. The Americans With Disabilities Act of 1990 will require both commitment and flexibility by all of us to meet the critical time frames in the law. We believe our legislative proposal addresses these issues.

In this connection, our reauthorization proposal addresses sources upon which local transit authorities can base investment decisions by proposing that 80 percent of the annual UMTA budget

be distributed by formula versus the current 58 percent. In addition, we are proposing that the UMTA program be funded entirely from the Mass Transit Account of the Highway Trust Fund versus the current 43 percent.

The transit component of the Trust Fund can support the proposed program level, averaging $3.3 billion a year over the 5-year reauthorization. This funding level will substantially reduce the present uncommitted cash balance in the mass transit account by fiscal year 1996.

We believe recipients of UMTA funds should have increased flexibility to help them develop the most efficient and cost-effective local transportation systems. Local authorities should have the ability to apply Federal funds where they can be most effective based on local priorities.

Our highway and transit legislative proposal makes a significant part of the highway program eligible to fund transit capital projects. All of the urban and rural program, nearly $4 billion annually, can be used to fund transit projects. In addition, States can transfer up to 15 percent of their National Highway System funds, over $1 billion, to the urban-rural program. Therefore, a total of $5 billion in highway funds could be used for transit, or about one-third of the program. Currently, only $750 million in urban system funds can be used for transit.

Finally, the Metropolitan and Rural Innovation Bonus Projects Program provides for a jointly-funded effort to find innovative highway and transit projects, designed to reduce congestion, improve air quality, and enhance rural development. This is the first time that intermodal usage of both programs will be experienced on a level playing field with respect to federal-local matching shares.

While we cannot predict to what extent it will be taken advantage of, we think it is an exciting and promising feature of the proposed legislation.

Section 308 of the Urban Mass Transit Act requires the Secretary to provide Congress with a biennial report on the condition, performance, and needs of local public transportation systems and their investment requirements. The current section 308 report—and it is currently being printed—estimates funding of $3 billion to $3.7 billion annually to maintain the current level of transit services, and I emphasize that that's to maintain. It does not include new starts or future funding for ADA or Clean Air. It also does not include operating assistance. This estimate is based on vehicle replacement cycles, historical investment in support facilities, and other factors.

In the years to come the department intends to conduct periodic inventories and condition studies of transit infrastructure to ensure that this information is current and up-to-date.

Let me now turn to the federal share in our proposal. In the last decade, state and local governments have established that they have the political will and financial ability to increase their support for public transit. In 1990, states contributed $4.8 billion in direct and indirect funding for public transportation, an increase of 37 percent over the 1984 state amount of $3.5 billion. That's using constant 1990 dollars.

As a result of our recent overmatch initiative—and, I might add, as a result of some practical necessity—many grantees have already increased the proportion of local capital investment that they are making. This is certainly true for new starts, and it is also evident in rail modernization in many important cities. Additional local matches, especially when combined with private investment, will ensure more prudent project design and control.

With the Federal Government funding at the 75 or 80 percent level, there is less incentive for local cost control or innovation. Moreover, the assurance of the stable and predictable federal resource over a 5-year period, as our bill proposes, should enhance a grantee's ability to secure additional local matching funds.

The increased flexibility in the use of highway and transit funds also should result in the increased flexibility of local matching funds. For example, state and local dedicated highway funds could be made more flexible and used to match federal transit funds for transit projects. In this connection, the matching ratio of the highway and transit funding sources will be parallel, thus allowing local decisions on which projects to build to be free from any biases caused by federal funding requirements.

We believe that operating assistance is generally best left to State and local governments since it is at the local level that fares, service, labor costs, and other budget and revenue issues are determined. The emphasis of the Administration proposal is on transit capital investment. Under the reauthorization proposal, for cities with a population over one million, federal funds which would have been used for operating subsidies will now be redirected to capital.

In these large cities, federal operating subsidies are a very small percentage of the total operating costs. These same cities will be getting an increase in formula funding, particularly those with rail systems. This increase in capital funding should provide those cities with an ability to meet their capital needs, allowing them to direct local funding to operating costs.

The share of the budget that federal operating assistance represents in these areas has been declining in recent years. In some places the amount is less than a year's worth of inflation. For example, for the New York City Transit Authority, Federal operating assistance in 1989 amounted to 2.3 percent of total operating revenues. In Boston it was 3.4 percent, and in San Francisco it was 3.2 percent.

These can be significant sums, but they are not beyond the ability of local managers to control. More importantly, when such funds are redirected to the capital side of the ledger, they represent investment increases of as much as 25 percent.

Areas under one million in population are much more dependent on Federal Government support for purchases of materials and supplies. For this reason we are essentially allowing these areas to receive operating assistance at their current year's levels.

Mr. Chairman, we are especially cognizant of the mobility needs of people living in rural and small urban areas. As the population of these areas ages, mobility will become an even greater concern. While the dollar amounts of our rural programs may be small compared to the money spent on public transportation in large urban

areas, rural public transportation is a very important part of our program.

Since its inception in 1979, the section 18 Program has grown to include over 1,100 local providers of transportation, more than a tenfold increase over the 100 or so demonstration projects funded under its predecessor program. These rural providers have gained a well-earned reputation for creativity and resourcefulness by managing their limited budgets effectively.

In recognition of the program's growth and of the impact of inflation on the cost of providing transportation, we are proposing a significant increase in the section 18 funding in fiscal year 1992 to $89 million, $24 million over the funding level in recent years. The additional funds can be used to address capital needs. Operating assistance, as I've already discussed, will be capped at the fiscal year 1991 apportionment level.

We believe the Transit Research Program needs to be strengthened. As part of the reauthorization we are proposing an expanded and coordinated transit planning and research program. This new structure will provide for an increase in emphasis and funding for research and development. An amount equal to 2.8 percent of the total UMTA apportionment will be set aside within the mass transit fund to support this program. For fiscal year 1992 this will represent $93.2 million.

We believe investment in research and planning is a proper Federal responsibility that will ultimately help provide a more stable, cost-effective, and productive environment for mass transportation, one that will also stimulate increased private sector investment and economic growth.

To yield maximum benefits for our transit investment dollars, planning and research must be a more prominent element of the UMTA program, with a consistent source of funding. The transit planning and research program has two major components: A national component, and a State and local component.

The national transit planning and research program is proposed to advance federal objectives to help resolve problems of national concern and to initiate a new emphasis on technology development. One-third of the total resource will support this component.

The State and local programs will support existing planning activities, as well as implement a new transit cooperative research program designed to address the transit industry's short-term needs. Two-thirds of the total resource will support this component. The emphasis in both components is research, planning, demonstration, and training.

Mr. Chairman, this concludes my prepared statement. I look forward to working with you and the members of the subcommittee. I will be pleased to answer any questions you may have.

[Mr. Clymer's prepared statement appears on page 57.]

Mr. BORSKI. Mr. Administrator, later today witnesses representing the General Accounting Office will tell the subcommittee that over the last decade, Federal transit funding declined from $4.6 billion in fiscal year 1981 to $3.2 billion today, a reduction of more than 50 percent when inflation is considered.

How does the Administration respond to GAO's testimony? Why not at least increase transit spending to account for inflation?

Mr. CLYMER. I don't know that we have actually gone back over the philosophy of previous Administrations. We are dealing with a very tight budget in very constrained times. I think one of the things we can point to, importantly, is that this is the first time in a decade an Administration has proposed an increased budget for mass transit over the prior year's enacted budget.

Mr. BORSKI. In 1982, Congress and the Administration agreed to a new penny-a-gallon tax on gasoline for transit programs. This new funding was in addition to general revenue programs, which up until that time were the sole source of funding for transit programs.

In view of this history and the severe cuts in transit programs during the last 10 years, shouldn't the American people be skeptical of the Administration's proposal to eliminate general revenue support for transit programs? How do you explain that under the Administration's proposal transit programs in fiscal year 1996 will be left with only $1.7 billion in dedicated funding for a $3.3 billion program?

Mr. CLYMER. I think quite the contrary is true. As we have been hearing throughout the year, the one consistent message we have gotten is to spend down the trust fund. We have heard that from the governors of the States, and we have heard it from transit operators. Everyone has consistently asked us to spend down the trust fund. That in fact is what we are now proposing to do.

It has been our consistent opinion, as stated in the National Transportation Policy, that, if possible, we would like to get transit, and all of transportation, in fact, onto a user fee basis, funded from the trust funds, so it did not have to compete with the General Fund with costs such as the S&L problem and the cost of the overseas conflicts and various other things that are competing for the General Fund side of the budget.

I think this proposal adequately does that, over the five year period of reauthorization. Even though we end up with a relatively modest balance in the Trust Fund in 1996, down to about $400,000, assuming that the half a penny sunsets as expected. Certainly by the time we get to that amount some decisions will have to be made as to how transit and transportation in general will go forward.

Mr. BORSKI. I couldn't agree with you more, and applaud you more in your desire to spend down the trust fund. Most of us on this committee are certainly in full agreement with that. The problem, as I see it, is if you eliminate the general revenue source at this point in time, we will be left in a position where at the end of this program we will be really short money for transit, and then where does it come from? If we let the general revenues go now, how will we ever get them back if they are needed at the end of your program?

Mr. CLYMER. I think it is clear that over the long term, this is a question that Congress and the Administration will have to grapple with. That is, what do we do with the user side funding, what happens with the gas tax. We clearly went through that kind of debate last year.

I think that debate is going to resurface. What our numbers show us is that if you consider that at the end of the reauthoriza-

tion period there is still an $8 billion cash balance in the Trust Fund, that even though there is an unobligated balance of only $400 million, there is sufficient interest generated along with that so that there will be sufficient dollars in the Trust Fund to really carry us almost through two reauthorization periods.

So there is considerable time before that question will have to be addressed.

Mr. BORSKI. You just said that you thought we would be better served if we could get to a complete user system and not use general revenues at all, is that correct?

Mr. CLYMER. Correct.

Mr. BORSKI. How would you raise the revenues for transit? Would it be an increase in the gasoline tax for transit uses?

Mr. CLYMER. We are not proposing an increase right now. What we are basically looking at is a five-year authorization period over which an increase will not be necessary. There are sufficient revenues in the Trust Fund to spend down to support that program. I think that's what the people and the governors and the transit people have been asking for, and that's what we have been able to accomplish.

Mr. BORSKI. As I understand it, I think they want us to spend down the trust fund and continue the general revenue part at the same time.

The Administration is proposing what is essentially a straight line budget for transit spending. How can this be justified in view of the large increases which the administration is proposing for highway spending? And what about additional funding for compliance with new requirements mandated by the Clean Air Act and the Americans With Disabilities Act?

Mr. CLYMER. That's a two-part question. In terms of the ongoing funding, again we are looking at a constrained budget period. I think this adequately reflects the intent of Congress and what we have been hearing, the focus of the localities and the States in terms of highway versus transit funding.

I think if you look at the program—and if I could go back to my opening remarks—in terms of what is available out of the highway program, there are more than sufficient dollars to support transit funding if that is the desire of the individual localities. They have available the whole urban and rural program, totaling some $3.9 billion. There is a 15 percent passdown from the national program, which would be something in excess of $1 billion.

If you add on to that the fact that out of the national highway program you could do HOV lanes and park and ride facilities, you have a resource that is available, including the UMTA budget, of something between $8 billion and $9 billion.

Our numbers show us that if you consider all of the funding needs nationally, including those that would be funded from State and local sources, that we could probably spend on the outside somewhere in the neighborhood of $7.5 billion. So there is more than enough money available to adequately support anything we could want to spend in mass transit.

Mr. BORSKI. Let me yield now to the gentleman from California, Mr. Packard.

Mr. PACKARD. Thank you, Mr. Chairman.

Did I understand from your response to the Chairman's questions that the five-year authorization will be funded adequately according to its plan, with the spend-down funds and the funds that are included in your proposal?

Mr. CLYMER. From the Trust Fund, that's correct.

Mr. PACKARD. So you see no shortfall during the five-year period to sustain the plan that has been outlined?

Mr. CLYMER. That's correct.

Mr. PACKARD. As I mentioned in my opening statement one of my primary concerns is the discontinuing of funding for operating expenses of those transit districts that service an area of greater than a million people. You mentioned Boston, New York, and San Francisco as being large transit districts that do not have a significant amount of their funds coming from Federal assistance for operating purposes.

But there are many districts where it does represent a rather significant amount of their operating capital. Without that operating capital, it would significantly curtail their ability to operate. What do those districts do to make up the difference when they lose their Federal assistance?

Mr. CLYMER. What we are talking about are the areas of population greater than a million. These are for the most part large urban areas. Most of these areas have already come up with significant overmatch over and above the federal funds, and within those funds, have considerable flexibility with how they move those around. I think that they will have probably not as hard a time in going to some of those sources and moving those local funds around in order to make up that difference. It will simply allow the Federal Government to fund the capital side and allow operations to be funded from the local side.

Mr. PACKARD. Many of those districts, however, don't service a large metropolitan area, or a heavily populated urban area. They are transit districts that may represent several communities or cities in not a heavily urban area. Thus they have greater distances to travel, their routes are greater in distance, and their ridership is often lower than in the heavily urbanized areas like here in DC.

So their operating costs are often proportionately higher even than some of the high urban centers. They are caught in a little bit of a Catch-22, it appears to me. They have greater operating costs and at the same time, many of those districts are representing—especially the urban centers—riderships where the air quality standards are not being met. They are under restraint and commitment to meet the air quality standards in these communities under the new Clean Air Act, and yet mass transit, being one of the strategies for helping to meet those air quality standards, is now being penalized.

So the communities are in a Catch-22 situation. How do they meet the air quality standards and at the same time how do they increase ridership on their mass transit systems as one of the strategies in helping to meet those air quality standards? What do you recommend?

Mr. CLYMER. There is no question that with some of the increased costs we are looking for a greater local match, a greater

local share, provided it can be provided regionally or even on a State basis. In many cases, that's where they are going to have to go to make up that difference.

What you have alluded to in terms of the greater cost base that some of these more suburban areas have, given that their budget is fully funded now, from some source, whether it is subsidized or whether it comes out of the fare box, those tend to be more subsidized than some of the more urban areas, just by definition. That means that it would be more difficult for them to replace the funds because fare increases have less of an impact when you have lower ridership. I think those areas would end up looking to the regions or the States and to those commitments that are now currently in place to make up the shortfall to fund the balance.

Mr. PACKARD. That's a real dilemma for some of the areas in southern California. I sense it will be a hardship.

I think that the Administration's proposal that will increase the flexibility of highway and transit funding is generally skewed towards highways, given the more favorable cost sharing available when they use highway funds. How do you respond to that concern?

Mr. CLYMER. I think what people have looked at are some of the different matches. They have looked at a 60–40 match for transit versus a 60–40 match in the urban and rural program, so those two programs mesh together for their flexibility. Then they are looking at the national highway program, where you have a small piece of it that is still 90–10 and some of it that is 75–25 match. Again, if the funds are transferred down from the national program, 15 percent into the urban and rural program, they transfer down and become 60–40 match funds. So you always have the highway and transit on a level playing field.

Many people say "Well, then, why do we do that?" In many areas in southern California, they can't build any more roads. In my native Philadelphia, some of the expressways there can't even be widened because there physically is not the land to do it. In those cases, they might opt to transfer money down into the other program, at a 60–40 match, and use it for transit.

If you take a look at that, and the money that is available for transit, and go through the addition I used a few moments ago, the $3.9 billion plus the $1.1 or $1.2 billion that could be transferred down, plus the availability to do HOV lanes and park and ride facilities, using the higher match of highways, you really have an amount available that is greater than the entire UMTA program available at a like match.

I don't think that the higher match in that part of the highway program, where there are definite needs, is really going to get in the way of exercising that flexibility.

Mr. PACKARD. I have one last question, Mr. Chairman.

If, as the Administration is proposing, we discontinue operating assistance to the larger districts, will there then be—for these moneys that will then be transferred for capital purposes rather than operating assistance—strings attached, or are there going to be requirements or a direction in which the use of those new capital funds will be used in terms of air quality requirements?

Will the capital, particularly for rolling stock—will your increased funding in that area be directed toward, for instance, more clean fuel burning vehicles, et cetera? Do you have a strategy, in other words, in the use of those new capital funds to assist communities meeting the air quality standards?

Mr. CLYMER. Let me back up and explain, and make it clear for everyone how the actual operating subsidies work. The operating subsidies themselves are not a separate section. We have basically two major programs under the UMTA program. One is Section 3, which is discretionary, the other one is Section 9, the formula program. Under the formula program, which is a capital program, we have an operating cap, which allows some of that Section 9 money to be used for operations. In those larger cities, we are simply removing the ability to use that, which then focuses it on the capital, which they are allowed to do now anyway.

Mr. PACKARD. And they have the discretion as to how those funds are used?

Mr. CLYMER. That's right. They currently have that discretion. They don't have to use it for operations, they can use it for capital. There will be more money available under the current program in that formula program. The first thing that will happen, even though the larger cities do not have the ability to use it for operations, there will be more dollars available for capital projects.

Yes, we are trying to direct things, especially where there is a legal mandate now the Clean Air Act is of course mandated, there is some phase-in over a period of years where we are allowed to use not only clean burning fuels, but also clean diesel. Basically we are trying to deal with the technology that is not perfected yet. We have a very short number of years to deal with that.

We do, as one of our major initiatives, give preference to those areas that are dealing with the provisions of the Clean Air Act. At one point it will be a requirement. It is not now an absolute requirement, but it is definitely one of our initiatives, and we do give preference to areas that are trying to come into compliance and work with the technology, quite frankly. We have a lot of work to do to meet the Clean Air Act requirements, and to make sure that at the point where it is totally mandated that our technology is capable of handling it.

Mr. BORSKI. The gentlewoman from Connecticut, the vice-chair of the committee, Ms. DeLauro?

Ms. DELAURO. Thank you, Mr. Chairman. Let me apologize to you for being late. I was meeting with some of the Veterans of Foreign Wars from my State, and I couldn't leave the meeting. I apologize to you, Mr. Clymer.

In your prepared testimony, you talk about the current Federal matching share of the transit dollars as not really being sufficient in order to provide the local cost control, or provide enough impetus, if you will, to localities to move to innovation, and therefore, that we ought to try to reduce the Federal match.

I will use my own State of Connecticut, as an example, which is in the midst of an overall 10-year infrastructure renewal program and has committed substantial amounts of its own funds to try to maintain and improve mass transit. While I laud the Administration's goal of reducing the Federal match to stretch those scarce

Federal dollars, and Connecticut has tried to do this on a number of occasions, decreasing that Federal match is going to be a particularly significant hardship on financially strapped States like my own. I don't know how we can continue to stretch our own dollars much further. I would like to have you comment on this, as to what you think we ought to do about it.

Mr. CLYMER. One of the things I think is interesting to point out, if you go back five or six years ago, in terms of capital investment, most of what was provided in this country by way of capital investment locally was exactly the percentage required to meet the Federal investment. Literally, there was very little commitment locally for transit except what was required to match the Federal dollars.

One of the things we have to ask ourselves if we are making transit investments locally is what is the level of commitment. Many cities recently have drastically increased the amount of funds they have committed to transit, way over and above the required match. As I said in my oral statement, I don't think the overmatch is just as a result of the overmatch initiative, as much as it is a result of practical necessity.

Many areas have realized that if they are going to have a commitment to local transportation, that it is going to require a greater share in order to do that. They have stepped up to the plate to do that. I do point out that the overall budget is and has been somewhat increased.

In terms of local cost control, one of the things we have found is that we have gotten out of the business of providing operating expenses. As the operating expenses have become a greater percentage locally, what has happened over the last five to ten years is the operating budgets of especially the large providers have tightened up. As they have been responsible locally for their operational dollars, their methods of operation have gotten much tighter and much more cost efficient. The trend has definitely been a positive one, and we think this is because there has been more local control.

By the way, Connecticut is doing a fabulous job.

Ms. DELAURO. We have stepped up to the plate. We are going to strike out here, because we can't——

Mr. CLYMER. We are providing more dollars. There are more capital dollars. Connecticut does have a significant capital budget, and they have done an excellent job of implementing it. We are very proud of them.

Ms. DELAURO. Let me just ask another question which has to do with what we talked about at the full committee hearing when I mentioned the Peck Bridge, and the costs. You said at that time the Peck Bridge posed a particular challenge and that this was something that DOT was going to study. It is a project that really deals with the entire Northeast corridor.

That's the kind of situation, again, that Connecticut is in, in that corridor providing regional services. What kinds of resources will the Administration's proposal provide to a State like Connecticut to maintain and improve the heavily used mass transit, such as heavy rail?

My understanding from Connecticut DOT is that the discretionary fund is going to be reduced from $1 billion to $350 million,

which is in fact going to cause us to lose about $25 million to $35 million in the kinds of money we have been receiving.

In fact, on a formula basis we will get additional money, but in terms of the discretionary fund we are going to be losing money for these kinds of projects. How are we going to cope with these cutbacks in light of such projects.

Mr. CLYMER. Actually, the $350 million they have singled out in discretionary funds is the new start category, the other category. That is not a category that Connecticut typically uses. They are a rail mod city, and typically funding comes from the rail modernization category. The rail modernization funds we propose to actually increase, from about a $450 million level to a $600 million level. So there are additional funds in that pot and Connecticut will be a beneficiary.

Connecticut is certainly in that boat, along the Northeast corridor, with New Jersey, New York, and certainly Massachusetts. If we can't make rail transportation work in the Northeast corridor, it will not work anywhere in the United States. That's one of the reasons the department is currently studying it, to try and analyze what the problem is, and what the extent of it is. At that point, we will have to have some debate over what the resources are and where they come from.

The Northeast corridor houses not only several different commuter rail lines, but Amtrak as well. The funding source will be something that will have to be examined, once we have determined the magnitude of that problem.

The problems are certainly highlighted by the Peck Bridge, as I indicated, which was a $128 million redesign problem. I think it is costing them $1 million a year in concrete just to keep it from floating downstream. It is currently contorting in three different directions, and has a slow water of 10 miles an hour. Those kinds of things, along the Northeast corridor—and if you were to lose that bridge, there would be no Northeast corridor. So there are certainly problems that we need to address.

Ms. DELAURO. Thank you.

Thank you, Mr. Chairman.

I would like to enter into the record at this point my prepared statement.

Mr. BORSKI. Without objection, so ordered.

[Ms. DeLauro's prepared statement follows:]

STATEMENT OF HON. ROSA L. DELAURO, A REPRESENTATIVE IN CONGRESS FROM CONNECTICUT

Mr. Chairman, I commend you for holding this very timely hearing on the issue of mass transit. Our country is faced with congested highways, polluted air, and an overwhelming dependence on foreign oil. The need to increase our reliance on mass transit cannot be overstated.

Yet, the Administration's highway proposal may well discourage the development of mass transit as an alternative to the overuse of our highways by increasing the local matching funds, decreasing the availability of discretionary funds, and essentially freezing the level of federal spending for mass transit. By labeling mass transit a local concern, the Administration has justified lessening the commitment by the federal government to essential modes of transportation.

But mass transit is not simply a local issue in Connecticut, and given the effects of transportation on the environment and energy, mass transit clearly transcends local boundaries throughout the nation.

Connecticut rail moves millions of people in and out of the state. Connecticut's railroad tracks serve not only local commuters—those tracks service Conrail and Amtrak. In connection with this, Connecticut must assume the maintenance and improvements of its heavy rail, a very costly undertaking.

It is important that the Administration understand that commuter service in the Northeast is a different animal from that in the Midwest.

According to calculations by Connecticut's Department of Transportation, Connecticut will receive significantly less federal funding for mass transit because of the cutback in the discretionary program. I question how the state will be able to meet its regional mass transit obligations with a shrinking federal dollar and its own substantial budget deficit.

I look forward to hearing from our distinguished witnesses this afternoon on these issues.

Mr. BORSKI. The gentlewoman from New York, Ms. Molinari?

Ms. MOLINARI. Thank you, Mr. Chairman.

Good afternoon. Historically, New York City has not used the Federal moneys through UMTA funding, specifically in the capital area, in the most effective manner. Over the last two years, I know both UMTA and the Transit Authority have been spending it. I was wondering if you could give me an update as to whether we are in fact making better use of UMTA capital moneys, and how you think the President's proposal to cut all operating costs will affect New York City specifically.

Mr. CLYMER. Well, to answer the first part of your question, there was a considerable effort made by my predecessor to get New York to spend down the dollars, and that effort, I am happy to report, was quite successful. There has been a considerable deobligation of grants, or completing of grants, over the last couple of years, up to a much more acceptable level.

We are continuing to monitor that very closely. We obviously have a concern because of the great magnitude of New York and what developing trends and projects in New York are. It is just a mammoth undertaking, as you well know. It is very difficult to get an appreciation of the magnitude of New York for some of us, even from a city as large as Philadelphia.

I often tell people we have 9,500 transit employees in Philadelphia and the fourth largest system in the country, but New York has more vehicles than that. So it is a very, very large system.

In terms of the Federal operating assistance, again, with New York, it is a very small percentage of the total transit funds there. New York obtains a subsidy through a myriad of sources, from State and local taxes, all of which have different restrictions on them. I do not pretend to know all of them, but certainly they probably have the most flexibility in terms of diverting other of those sources of funds into the operating side to let the Federal Government participate in the capital side.

Ms. MOLINARI. Thank you.

Mr. BORSKI. I can't resist, Mr. Administrator, in following that up. You know the SEPTA system very well. What would happen to Philadelphia if the operating assistance were removed completely?

Mr. CLYMER. I think it is going to exacerbate Philadelphia's problem, certainly. Philadelphia, as you aware, and I am painfully aware also, has no dedicated source of funding. Therefore, they go to the State to make up their operating subsidy. They currently get approximately—and I know Mr. Gambaccini is here and can correct me—probably close to 60 percent of their revenues from the

fare box, which is one of the highest in the country, and having one of the highest fares in the country, probably have little room on the elasticity curve to go to the riders for additional subsidy to make up that difference.

Their current amount from UMTA is in the $20 million to $25 million area. That would probably be a considerable fare hike to make up that amount, and probably impractical.

There is no question that Pennsylvania has to address dedicated funding for transit. They probably have an advantage over some, because in addressing the dedicated source of funding for transit, they could target that money for the operating side instead of the capital side, when they implement it, and therefore take them out of the problem.

Mr. BORSKI. The distinguished gentleman from California, do you have a question?

Mr. ANDERSON. Sure.

Mr. Clymer, you talk about program flexibility. I heard some in the transit community express the concern that the Administration's bill seems to make it more likely and easier for communities to use their transit funds for highway purposes rather than use their highway moneys for public transit. As the transit administrator, how do you respond to those allegations?

Mr. CLYMER. I think that's more a matter of perception than reality. What we are trying to do is get more local decision making. In fact, this is one of the features that is actually supported very strongly in California. Probably the best way to explain it would be to run through how it would happen. If you were to transfer funds from transit into highways for highway projects, what would happen is the transit provider would have to come to UMTA and ask for a grant or ask for the transit money to be transferred to the Federal Highway program to administer a highway plan.

In order for that to happen, we would want to see that the decision was made by not only the transit provider, but also by the MPO and the State working together. And the project, being a highway project in that instance, would have to be part of the regional transportation improvement program, so that it was part of a long-range improvement program, a long-range transit program that addressed the transit needs as well as highways, so the transit program would not be getting short shrift in the long run.

We don't see this, quite frankly, as a program that is going to end up as a grab of transit dollars for highways, or highway dollars for transit. We see it as more of a flexibility option that will allow regions to order their project in a logical fashion, so that if Los Angeles this year needs a highway project to tie into park and ride lots or to tie into one of their rail systems, then they can move that project this year. Then next year they can take all the money and move it back into transit and do a transit project. That kind of flexibility, I think, will mean both time and money to local areas in trying to implement their transportation plans.

Mr. ANDERSON. Thank you.

Our Nation has tremendous highway needs, so tremendous highway spending needs to be increased. But our public transit needs are similarly great. The administration proposal basically stagnates transit funding, which over the next five years will actually

reduce the purchasing power of those federal dollars that are available. We have a federal budget that needs to be brought under control, but we also have State and local governments around the country facing desperate times.

The Administration proposal, looked at as pragmatically as possible, seems to guarantee dramatic reductions in the ability of the transit systems to improve operations, as I feel they must in order to meet their mandates, let alone maintain their current level of services.

My question is, do you not see that?

Mr. CLYMER. I am hoping that the highway and transit bills will work in conjunction and we can let the locals decide where the ultimate funding goes. I think we need to be quite pleased with where we have ended up in our budget, in a time of great austerity and great fiscal crisis that we have right now, for us to come out with an increased budget I think represents a considerable commitment on the part of the Administration, especially in light of a $2.3 billion submission last year.

Again, we can always look at the flexibility requirement, and if it is being utilized so greatly for transit projects, if we now find that there are HOV lane projects and park and ride projects coming out of the national program, and people are dipping significantly into the highway funds, perhaps that will send us a message.

Mr. MINETA. Would the gentleman yield?

Mr. ANDERSON. Sure.

Mr. MINETA. I keep hearing things about increased budget. Maybe the dollar amount has gone up. But, the fact that where transit was able to get some general funds before, that's now been chopped off and everything has to come out of the mass transit account, given the effects of inflation, the highway side got a very generous increase, and does, over the next five years.

I was wondering why the transit side, given the Clean Air Act amendments, the President wants to be the environment president and all this, why the transit side didn't get a little more? I would consider it to be a five or six percent loss in funding rather than a budget increase.

Mr. CLYMER. Again, we are looking at a significant increase in terms of the Administration submission from last year. In terms of the relative size of the highway budget to the transit budget, again I come back to what we have been talking about a little earlier, and that is that funds are available on the highway side for transit, through the flexibility provisions, really total dollars far in excess of the current transit budget, $3.9 billion in the urban and rural program, over $1 billion that can be transferred down from the national program, plus the ability to use the national program for HOV lanes and park and rides.

Mr. BORSKI. The gentleman from Illinois?

Mr. LIPINSKI. Thank you, Mr. Chairman.

Mr. Clymer, when Congressman Anderson asked you about the funds, he said it was easy to move highway funds into transit. You said that was a perception that some people seem to have. He said, "Give me an example." You then proceeded to explain to him how

we move transit funds into highway. I would like to know how we move the highway funds into transit.

Mr. CLYMER. It works exactly the reverse of that. The Illinois State Department of Transportation would make application for FHWA instead of for a highway project for a transit project. Those funds would then be transferred to UMTA and UMTA would administer the transit project. So it works in exactly the reverse way.

Mr. LIPINSKI. Why would the State of Illinois Department of Transportation want to fund any transportation or transit projects with their highway money when they really don't have any responsibility for mass transit? That's handled up in the Chicago area by the Regional Transportation Authority, as you know. How are we going to motivate the Illinois Department of Transportation to take some of this highway money they get and put it over on the mass transit side?

Mr. CLYMER. I think this is not something that is going to happen easily. Most areas of the country will have a great deal of difficulty in getting highways which are administered on a State level, transportation which is administered pretty much on a regional level, someplace in between the MPOs, and getting them all together to work together on a regional transportation plan that takes into account land use, highway use and transit use all mixed together.

But this is the incentive we wanted to put in there to make that start to happen. In California, for example, that will probably work very well. In States like Maryland, where the State is both the highway and the transit side, they will probably have a great deal of ability to use that flexibility.

Other States will have a more difficult time. But the purpose of doing this and allowing the flexibility, again, is to try to foster more local and regional decision making with regard to transportation decisions. We think that's where the decisions best be made and we think if we can eventually get them to work together, that we'll come up with a much more effective use of those funds.

It becomes a flexibility tool. Illinois would use it because maybe this year they have a transit project that is all ready to go, they have done their preliminary engineering, they are ready to start construction, they have highway plans on the drawing board but not ready to go, so they would want to move their highway funds over to start the transit project. Rather than having it wait and compete for funds to come out a year or two hence, they can move ahead with that project, saving them both time and money.

Then in the future when the highway project was ready to go, they could go and move the transit funds back the other way, and complete the highway project. So it would not necessarily be a shifting of dollars one way or the other, but it is a tool the State can use, a tool the regional transportation planners can use when they work together in order to promote a better transportation system.

But it is not going to be easy. The three have traditionally not worked particularly well together. Even in California where they worked fairly well together, it has not been without a lot of give and take back and forth. But ultimately, that ends up with good transit decisions being made.

Mr. LIPINSKI. But can that really be a wise nation-wide policy, to put organizations such as this into an adversarial position? It also seems to me you are giving a great deal more leverage to those State departments of transportation that are almost exclusively interested in highway projects rather than mass transit projects.

It seems to me it should be the role of the Federal Government to try to balance these types of problems nationwide. It seems to me you are throwing the burden on the States and you are giving the highway people a great deal of leverage in this battle, when we have an energy problem in this country and we should be getting people out of automobiles and into mass transit.

Also, the other area you get into is the reduction of the operating expenses. That once again is a blow against mass transit. It just seems to me that this entire policy that has been put forth by the Administration—it almost seems like you want to eliminate mass transit, or get out of the mass transit business entirely. I am surprised, with your background and with the Secretary's background, that a program of this nature would evolve out of the Department of Transportation.

Mr. CLYMER. I can assure you that I am not interested in getting out of the mass transit business. I did not look at or accept proposals like this with any thought that it would strip away funds from my mass transit providers. I did not come to Washington to preside over the demise of the mass transit program.

I think if those areas are looking at this as an adversarial program, then they can pretty much consider that part of it dead on arrival. Remember, we are only talking about a flexibility provision. If they take their transit funds and use them for transit, as they have in the past, and if they take their highway funds as they have gotten them in the past and use them just for highways, everything is status quo. They don't have to work together on anything. They can simply take their highway funds and build highways, and their transit funds and build transit.

Mr. PACKARD. Would the gentleman yield on that point for just a moment?

Mr. LIPINSKI. I certainly will.

Mr. PACKARD. There is the one caveat, however, in the transferring of funds from one direction to the other. That is the cost sharing issue. That's where it is skewed towards highways in preference to mass transit. If you transfer highway funds to mass transit, you transfer also the cost sharing formula, which is a 60–40, versus a 75–25, is that correct?

Mr. CLYMER. That's only on the portion of highway funds that would be transferred down to the national program, on the 15 percent that is eligible to be transferred down. On the urban and rural program, the $3.9 billion highway program, that is already 60–40. So that's already on a level playing field.

Everything we have done has been to try and foster decision making on a level playing field. It has not been to give the States leverage. The States do not have leverage, because if the MPO and the regional transportation provider don't go along, then that part of the program is not going to work. The flexibility provisions are not going to work. They have to work together.

The carrot for getting them all to work together and undertake these local decision making processes is the ability to utilize the flexibility provisions. In order to use the flexibility provisions, several things are imperative. One, the local match, or the match as we have indicated, must be the same in the highway program and the transit program, as we provide it.

Second, as they are making decisions locally, we wanted those decisions to be made on a level playing field, so that you must consider source funds or matching funds locally on the same basis.

In other words, if you have a State where there are no dedicated funds for transit but for example you have a highway trust fund and we have available dollars to match the highway projects then there might be a skewing of projects toward highways simply because matching funds are available, irrespective of what the ratio is.

Therefore, if you are going to move funds from transit into highways, you could not use the highway trust fund as a match for that. You would have to go to the State general funds to match that highway project, just as you would if it were a transit project, in order to keep that decision making on a level playing field.

Mr. LIPINSKI. I thank you very much for your patience and your answers. I don't agree with those answers, but I appreciate your expounding on them. Thank you, Mr. Chairman, for the time.

Mr. BORSKI. I have one quick follow up on that question, too, Mr. Administrator. On the Highways of National Significance Program, is there any flexibility to use highway funds for transit projects?

Mr. CLYMER. You are getting beyond my domain.

Mr. BORSKI. If you don't know at this point——

Mr. CLYMER. Why don't we answer that for the record, Mr. Chairman?

[The following was received from Mr. Clymer:]

Under the proposed National Highway System in the highway title of the bill, funds may be spent on mass transit projects such as hov lanes, bus ramps, and the like. These projects would have a 90 percent Federal share.

Mr. BORSKI. The gentlelady from the District of Columbia?

Ms. NORTON. Thank you, Mr. Chairman.

Mr. Clymer, you are aware that the Metro system in the capital system has been treated in a somewhat special way. It gets used not only by the residents of this metropolitan area, but by 19 million tourists a year who come to see, among others, their Representatives to the United States Congress and to visit their national monuments.

As part of the reauthorization for Metro new construction funding, there was an agreement between the Washington area congressional delegation and the Administration on a $162.5 million level. The fiscal year 1992 budget proposes approximately $35.7 million. Now, I can understand that the reauthorization figure may require some adjustment, but I would simply like to express my concern and offer you the opportunity to say what you may know about the apparent disparity.

Mr. CLYMER. The level is based on an amount that was agreed on over a nine-year period, as we move forward to complete the 103.5 miles. At the time we prepared our budget, we did not have draw-

down amounts available from WMATA but we put $80 million in the budget to begin funding that. That should be more that sufficient, given the design phases that they are going to be going through in the next year to cover the cash outlays in fiscal year 1992.

Ms. NORTON. My understanding was $162.5 million per year.

Mr. CLYMER. I am not sure if it was $162.5 million per year, or if that was a total amount. I think what I remember is a total dollar amount—and I don't have the total in front of me—commitment that would be funded in sufficient time for WMATA to make its cash commitment. I think that commitment remains.

Ms. NORTON. I would like to get back to you, then, I would like to check my figures further, and I wish you would also.

Mr. CLYMER. Certainly.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. BORSKI. The gentleman from Indiana, Mr. Visclosky?

Mr. VISCLOSKY. Thank you, Mr. Chairman. I have just a couple of comments. The first is that I have to express my disappointment in terms of the Administration's proposal. I do think there is a significant increase over the reauthorization period in terms of highway funding relative to mass transit, and I think a serious need in terms of mass transit.

Additionally, I think the emphasis has to be on the movement of people as opposed specifically to the movement of cars, which I think is certainly evidenced in the Administration's proposal.

The General Accounting Office has provided us with a memorandum in terms of the testimony today. They mention several concerns they have regarding the proposals in the mass transit area. One did strike a chord with me, and I would appreciate a response from you on it.

That is, in terms of the flexibility that is anticipated in terms of highway and mass transit funds under the Administration's proposal, States would need dedicated sources that can be used for both. Only a few States apparently now have funds that can be used interchangeably. Additionally, most highway funds are run through the State, most mass transit funds, if I recall, are run through locals.

In terms of the ability of these local areas to raise the necessary funds to match some of these new mass transit programs, I do think there is going to be great difficulty, particularly in areas that need to be service with both. Would you care to respond to that specific concern?

Mr. CLYMER. The second part was on the local match, and the first part of your question was on the highway flexibility. This will allow me to expand a little on the question that was asked by Congressman Lipinski.

No, the areas do not have to have a dedicated source of funds for mass transit in order to use the flexibility provisions. They simply have to go to a like source to get the funds. In other words, you can't have a decision that is skewed based on the fact that, for example, a State had a highway trust fund to match highway projects but no dedicated source of funds for transit.

So if an MPO and the State and the regional transit planner were looking at using the flexibility provisions, and saying, "Well,

look, we can't match the transit because we have to go to the State general fund, it could be a year or two until we get the money, we should go make a highway decision because we have the matching dollars in the trust fund."

They could not take the flexibility funds into a highway plan and go use those trust fund dollars. Because if they were doing a transit plan, they would have to go to the State general fund. Therefore, to move into the highway plan, they would likewise have to go to the State general fund.

All we are trying to do is put the decision making in the case of the flexibility provisions on a level playing field. For a transit project, you have to go to the State general fund, and for a highway project, you would have to go to the State general fund, too. You would still get the flexibility provisions.

Also, you do not have to have a like source. For example, California, which has highway trust funds for highways and sales tax for transit, as long as they have adequate funds available on both sides, then can automatically use the flexibility provisions just because they have funds available. They don't have to come from the same source.

So you do not have to open a State highway trust fund, for example, to be used as a match for transit. That's not required.

The second part of your question was in terms of a local match. Let me make this point, and the Representative from the District unfortunately just left. One of the things that came out of that Washington, DC Metro agreement with the local area congressional representation was a change in match that comes very close to the match the Administration is requesting on local share. I think that recognizes the fact that not only should the Federal Government step up to the plate, but the locals need to do so also.

WMATA has gone from a 20 percent local match, which was the most preferential in the country, now to a 37.5 percent/62.5 percent match, which I think is indicative of where we need to go. For us at the Federal level, both the Congress and the Administration, we ought to try to leverage more dollars into the industry.

Mr. BORSKI. The distinguished gentleman from California, chairman of the Surface Transportation Committee, Mr. Mineta?

Mr. MINETA. Thank you very much, Mr. Chairman. Mr. Clymer, I apologize for not being here during your testimony and earlier questioning. If it has already been asked, just go ahead and cut me off.

One is the rationale for cutting off the operating assistance to local transit districts, pinpointed to metropolitan areas in excess of one million population, as I understand it. It seems to me these are the areas where you move the most people by transit, you have a non-attainment area, and you cut out operating assistance to that area—non-attainment in terms of the Clean Air Act—you cut out operating assistance, it seems to me you are putting them in a box.

Mr. CLYMER. First of all, it is not a cutoff of funds. The funds are available under the formula program, under the Section 9 program.

Previously under that, they were allowed to use, up to an operating cap, part of those formula funds for operations if they so desired. What is happening is that we simply are not making those

funds available for operations, but we are not cutting the funds off. The funds remain there available for capital.

In areas of non-attainment, I think the significant cost increases are going to be the capital areas, in terms of providing the technology, rebuilding, and providing the equipment and infrastructure to cope with clean air vehicles and provisions of the Clean Air Act. That highlights the need for us to emphasize the capital side of our investment.

Mr. MINETA. But if you can't maintain what you have got already, aren't you sort of saying to the operators, "Don't maintain the stuff, just keep coming back to us for capital grants"? I am not sure that in the long run is good public policy.

Mr. CLYMER. Well, I think we do emphasize the maintaining of it. Our policies in terms of the length of use and how to use the vehicles do require them to be maintained over the long run. Our investment really, since the Mass Transit Act of 1964 was implemented, really brought the focus of capital investment and long-range planning back into the transit industry.

Mr. MINETA. Again, I guess I am still not sure what the rationale is for cutting off operating assistance.

Do I understand that parts can still be paid for, but it is paid for through the capital grants made to transit districts?

Mr. CLYMER. In areas under one million in population. What we have done in recognition of the fact that we want to provide capital funding and not operating assistance, but realizing that those smaller areas have particular needs that need to be addressed and are more acutely affected on the operating side, what we have done is expanded the definition under formula 9 of what is capital. We included under that materials and supplies, which is our section 15 line item in the operating budget.

Mr. MINETA. But not labor costs?

Mr. CLYMER. Not labor costs. What that does is allow them to use up to what was formerly their operating cap. In fact, the way the formula works is the greater of their section 9 apportionment, 25 percent of their section 9 apportionment they can use in the area of materials and supplies.

In the event that line item is not large enough to accommodate their former cap, then we have a hold harmless to allow them still to use it. That gets at what you were talking about before. Our Federal role, instead of being operations, which are largely local decisions, how they operate and what revenues they charge, now we are providing an incentive for the maintenance of the Federal capital investment.

Mr. MINETA. Mr. Clymer, you're a CPA, and I really don't know all these fine pieces of it, but it seems to me if you are going to include materials and supplies under a capital grant, under capital funding, it harkens back to my days as mayor and reminds me of what Abe Beam did to New York and they called it the Beam Shuffle. He took bond funds and used those bond funds for operations within the city. What it gave was a quick infusion of money, right now.

But it also meant that 30 years from then, when the City of New York was paying off those bond funds, they were still paying for the operational costs of those projects some 30 years ago.

Aren't we sort of playing that kind of a shell game with this capital funding of materials and supplies?

Mr. CLYMER. You might look at that on a short-term basis and say that yes, it's a tradeoff, because they are moving into an operational area. Again, yes, it has that effect. You are still allowing them to spend in operations what you formerly allowed them to use as operating subsidies, except now you are calling it capital.

However, what you are doing, by us focusing on the materials and supplies area, is now putting a focus on maintaining the Federal investment. We feel that's a much better directed use of the dollars than just openly allowing it to go into operating expenses. What will eventually happen is inflation and usage over a period of time will cause more emphasis in that area, because the Federal funds are being directed to that particular line item.

Mr. MINETA. To the extent you are able to preserve this much of operating assistance against the Darth Vaders at OMB, I congratulate you. But I just really wonder whether or not this is in our best interests in the long run.

The other portion, seems to me that what operating assistance does, by cutting it out, the Administration also wants locals to increase their share of what they come to the table with. But where you already have agencies increasing by relatively high amounts, I wonder where is that point of diminishing return, I guess is the phrase, where you say you want to encourage the locals to increase their share and the more they increase their local share, the more money we will make available to them.

Yet at the same time, as the fare goes from $1.30 to $1.60 to $1.90 to $2.15, at what point does the whole thing sort of—the house of cards will come apart. How much can we keep doing that to the local transit districts in terms of saying "Okay, we are going to cut out operating assistance. Okay, we are going to change the local match share from 20 percent to 40 percent." It just seems to me we are putting bags of concrete—from my surface transportation perspective—bags of concrete onto the fulcrum here and it is going to give, at some point.

Mr. CLYMER. In the past, and we have talked about this earlier, the local share of transit funding was relatively modest. In fact, on the capital side, it was barely that needed to match the Federal dollars. That commitment has grown considerably over the last decade. Areas are making a much greater commitment to transit.

I don't think we have reached the saturation point by any stretch of the imagination. I think we have a long way to go, and that's nowhere more evident than in California, where they are making tremendous commitments to transportation because they want it.

In terms of whether this is all automatically going to be foisted on the locals, it is always a matter of local, regional and State commitment. If you go back to the inception of the MARTA system, for example, that system was sold based on a 25 cent fare. The tradeoff for that was a sales tax. So when they built the system, they wanted people to ride for a 25 cent fare. That becomes a mixing of local commitment in terms of how it works.

If Philadelphia wants to have the highest fare in the country and not provide anything from a State level, that's a local commitment

that they make. They choose to do that locally. If that changes, it will be because there is a local groundswell to change that.

But you have to look at how transit is provided. I don't look at it as just being from the fare box. I look at the total package of local commitment. So it can be a combination of fares, it can be a combination of local subsidies and State subsidies, but overall it adds up to whether or not you really believe in transit and you really want to have it.

Mr. MINETA. Are those same kinds of ground rules being applied to the highway side in terms of—everyone says we have to get away from subsidization of public transit. If people want it, they ought to pay for it. It's good for them.

Shouldn't we be applying that same kind of thinking, since we all talk about intermodalism nowadays, shouldn't that same template be applied to the highway side then?

Mr. CLYMER. I think you can do that. If we look, and using what I have available, which are 1989 dollars, the Federal spending on highways was $14 billion. Total spending on highways—and this does not include the cost of the car and the gasoline—was over $75 billion. So the local commitment, or the other commitment to highways was far greater than the Federal share. In fact, the Federal share only made up 18 percent of the capital spending on highways.

On the transit side, operationally—and we have thrown this statistic out—it was about six percent. But the total spending on the capital side for transit in 1989 was approximately $4 billion versus $2.5 billion on the Federal side. So the Federal share there was 62 percent. So the local commitment on the capital side, capital spending for transit, is much, much lower than it is for highways. So I certainly think there is a long way to go locally for increased commitment to transit.

Mr. MINETA. Very quickly, let me ask about the—it just seems to me that what we are doing is mandating things under the Clean Act, under ADA. These are all laudable goals. But it seems to me we are also walking away from them with things like increasing the matching share, again going back to the operating subsidies. Those costs are going to have to be picked up locally. It seems like we are leaving transit districts out there hanging, having mandated on them Clean Air Act, having mandated on them ADA.

Mr. CLYMER. And all other issues are interrelated. I also see them as two separate issues. I think the time has clearly come to mandate a larger local share. I think that's clear in looking at the WMATA negotiation, where that's going. Clearly there has to be more local support in the transit arena.

On the other hand, we have an obligation to try to deal with ADA and Clean Air. I think we are taking the steps to do that. Both of those acts are in their infancy. The rulemaking on ADA is due out at the end of July with implementation within a year. We are going to start ramping into that and start assessing what the costs and needs are. I think we are prepared to meet the early-on expenses of that.

Clean Air we have been working on for a number of years. We have significant projects that are out testing different types of clean air possibilities and the implementation of that.

Mr. MINETA. The bottom line of what you want to do is increase transportation service and transportation capacity or mass transit capacity and service?

Mr. CLYMER. Well, I think we have to increase transportation capacity where it is warranted and where it is cost effective. Transportation is an industry that has to be very flexible. That means in some cases you are going to decrease and in other places you are going to increase. Once you lay out rail routes, you are sort of locked into where they are.

Demographics change, so transit agencies have to be constantly in a state of flux. That may mean that this year they are decreasing, next year they are increasing. I don't look at short-term increases or decreases as significant, because it is part of the overall flexibility that transit has to apply to its operations.

Mr. MINETA. Mr. Chairman, let me just indicate that I have said this to Mr. Clymer, and Secretary Skinner. I have not felt any better about a team that exists in the Department of Transportation with the likes of Clymer and Tom Larson and the Secretary himself. I think we really are at that crossroads where the team that is down there at the Secretary's level and all the modal managers, policy people, budget people and frankly the people who are here in the Congress, people like Chairman Roe and Mr. Hammerschmidt, Mr. Shuster, and all of you that would be able to put the program together. Thank you very much.

Thank you, Mr. Chairman.

Mr. BORSKI. Mr. Administrator, in response to an earlier question from Mr. Packard, you said some sort of preference would be given to transit systems that need to meet Clean Air Act requirements. What type of preference were you referring to?

Mr. CLYMER. This refers to what is now our former bus category. We are trying now to move the bus category into the formula fund, so it automatically gets apportioned. We set out lists of priorities, in terms of trying to facilitate—and it almost comes under the demonstration category—in terms of trying to get technologies out there. Areas that are willing to try Clean Air options and implementation would get a higher priority consideration out of the discretionary funds.

Mr. BORSKI. Mr. Clymer, I want to take this opportunity to thank you. I know you moved your schedule around to be with us today, and be our lead witness. I am very grateful for that.

I would like to echo Chairman Mineta's statement and wish you the best of luck in your continued battle with the Darth Vaders at OMB. Thank you very much.

Mr. CLYMER. Thank you, Mr. Chairman and all the members of the subcommittee. We look forward to working with you throughout this period.

Mr. BORSKI. Our next witness will be Mr. Kenneth Mead, Director, Transportation Issues, U.S. General Accounting Office.

[Witness sworn.]

Mr. BORSKI. Mr. Mead, would you please introduce your associates, sir?

TESTIMONY OF KENNETH M. MEAD, DIRECTOR, TRANSPORTATION ISSUES, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY J. ERIN BOZIK, ASSIGNMENT MANAGER; THOMAS COLLIS, EVALUATOR-IN-CHARGE; AND MARY ANN KRUSLICKY, ASSISTANT DIRECTOR

Mr. MEAD. Thank you, Mr. Chairman. I brought with me the team that has been examining mass transit issues from a variety of perspectives. I would like to introduce my colleagues. Mary Ann Kruslicky, on my far left, is our Assistant Director in the Mass Transit and Rail Area. Tom Collis on my left and Erin Bozik on my right.

It is a pleasure to be here today, Mr. Chairman. This morning we gave testimony on the overall highway package following Secretary Skinner on the Senate side.

Mr. BORSKI. Welcome to sanity, then.

Mr. MEAD. I think it is appropriate to note that many of the questions focused heavily on mass transit and the flexibility provisions that so many of the members have been inquiring about today. But I think the thrust of that hearing was originally intended to be on the highway side. You could see that member after member after member focused on congestion pricing issues, and what is becoming of mass transit. I think that's an appropriate place for me to start my testimony, which I will greatly abbreviate.

This is a five-year, $16.3 billion reauthorization proposal, and we see merit in greater funding from the mass transit account, and we see merit in the flexible funding between transit and highway, but we're concerned that the proposal represents only a 1 percent funding increase over the prior five years; second, that several obstacles could threaten the success of the funding flexibility; and third, that an immediate and significant shift of greater financial responsibility to transit authorities could be counterproductive to some of the goals that we all have in mind.

I would quickly point out that over the last decade Federal transit funding has declined by about a third, from $4.6 billion in 1981 to $3.2 billion today. When you factor in inflation, that reduction is a bit over 50 percent.

Now, in its proposal, UMTA plans to fund all its programs from the mass transit account in the Highway Trust Fund. So if you look at a bar graph of that trust fund spending for mass transit, the bar graph will show that spending will be increasing dramatically. But, you have to be careful of that because the bulk of the funding for mass transit has come from general revenues, and what the proposal essentially does is displace what has been spent by general revenues with funds from the mass transit account, and that's why much of the $4.1 billion uncommitted balance that you see at the end of this year—that's where it will go. What was to be spent is covered by general revenues.

Also, I think the proposed funding increase, if there is any inflation at all, by the end of the period will represent an actual decline in purchasing power. It's also, as somebody was pointing out earlier, significantly less than the increased obligation limits for the highway side, which I would say is in the neighborhood of 25 percent.

We're not in a position to say what the appropriate allocation of the fuel tax should be between highways and transit, but we think that given the disparity between highways and transit, and that the goals of the two programs overall are to move people efficiently and safely, the issue of the allocation of the gas tax ought to be reconciled in the context of the Nation's surface transportation needs.

Let me talk for a moment about the flexibility provision. The proposal would allow state and local governments flexibility in allocating Federal funds between mass transit and highway projects, and I should stress that it's a two-way street there; it's highways to mass transit and mass transit to highways. What the proposal envisions is a cooperative Federal, State, and local planning effort, but we think there are some problems here. I'm not speaking pejoratively about the proposal, just that the expectations people may have for it—we hope that they're not dashed. Also, the criteria used to assess transit projects and the criteria used to assess highway projects are different.

Highways, in general, has an objective of accommodating more and more vehicles safely, whereas transit's objective is the movement or the accommodation of people. The proposal does not reconcile these two objectives, and believe me, that will be an enormous challenge. I also might add that the Department of Transportation currently prepares separate needs assessments.

For example, there's a needs assessment, as Mr. Mineta knows, for highways. There's another needs assessment for bridges. Mass transit really does not have a needs assessment that is as credible as that in the highways and bridges area. So while we'd like to see a reconciling of the needs from those three areas, we really are not in a position to reconcile those needs because we don't know what they are fully in the mass transit area.

A word about the matching shares. We believe that greater cost-sharing by the States, localities, and grantees is inevitable, both in highways and mass transit. We would caution against any significant and immediate increases in those cost shares—maybe to phase them in—and our concern is, particularly in the mass transit area, that increasing the funding responsibility of the local transit area could possibly be counterproductive to what your goals are.

Before closing, I'd like to point out also that we have some concern for the manner in which UMTA has managed its programs in overseeing grantees. Following the erosion of public confidence in Federal programs stemming from fraud, waste, and abuse at HUD, UMTA, along with 13 other programs, was put on a fraud, waste, and abuse vulnerability list, and our work and the IG's work has shown that there are more grantees out there that are mismanaging and wasting money than you'd like to see. I believe in the context of this reauthorization that it's reasonable to expect UMTA to explain how they are going to strengthen the oversight of those Federal dollars. They're becoming increasingly scarce, and it behooves us all, I think, to make sure that they're prudently invested.

Mr. Chairman, with that I'll close, and we'll be glad to try to take as a team any questions you might have.

Mr. BORSKI. Okay. Thank you, sir.

At the end of this fiscal year, what will be the approximate balance in the mass transit account of the Highway Trust Fund?

Mr. MEAD. It would be about $4.1 billion that the fund could sustain in additional commitments.

Mr. BORSKI. How would you characterize the size of the unobligated surplus in terms of yearly transit expenditures under the current program?

Mr. MEAD. Well, it exceeds the total budget. Even the proposed budget with the increase.

Mr. BORSKI. Do you know how the unobligated surplus of transit funds compares to the unobligated surplus of highway funds?

Mr. MEAD. In terms of your dollar outlays for transit, the uncommitted balance is totally out of proportion. It's about half of what we see as the uncommitted balance in highways, but, of course, the outlays for highways are in the $10 billion-plus neighborhood.

Is that correct, Mr. Mineta?

Mr. MINETA. Yes.

Mr. MEAD. And here we're talking about a $1.5 billion program when we're limited to the trust fund alone.

Mr. BORSKI. How is the mass transit account used? Is it used for capital projects or operating assistance?

Mr. MEAD. Strictly capital. At least that's the way it's been in the past. The general revenues tend to finance part of the capital and all of the operating.

Mr. BORSKI. During the 1970s, did the Congress authorize more funds for mass transit than during the 1980s?

Mr. MEAD. I want to be careful here, as these dollars have not been adjusted for inflation.

During the Carter years, there was a substantial increase in funding. It went to an average of about $3.8 billion a year in the late 1970s, early 1980s.

Mr. BORSKI. Could you go back further than that?

Mr. MEAD. Yes, I can take you back to—Ford was an average of about $2 billion a year; Nixon was less than a billion; Johnson was—well, I guess the program was fairly new then—$100 million, this says. No, $625 million. Pardon me. So to give you an idea of where we are now, the current administration is $3.22 billion.

Mr. BORSKI. Could you give the subcommittee a general idea of how current federal transit spending compares with spending during the program's high point, taking inflation into account?

Mr. MEAD. Well, we'd have to calculate it out exactly, but at the program's high point, I guess we were over $4 billion per year—$4.6 billion—and now we're down to $3.2 billion. When the factor of inflation is added, it does not create a very positive picture.

Mr. BORSKI. Has GAO made any projection of the Nation's future transit needs, and if so, could you tell the subcommittee what you believe those needs are and the costs which are associated with that?

Mr. MEAD. No, we're not in a position to make a projection, but we have visited APTA, and we have looked at the grants applications that are pending at UMTA. That's not a scientific indication of the needs for mass transit, which, as I indicated earlier, I think we need to get a handle on, but I believe that there were over $10 billion in applications pending at UMTA, and APTA is recommend-

ing a Federal spending level of $11 billion, which is four times the amount that's proposed to be spent.

Mr. BORSKI. Do you have any information as to how the passage of the Americans with Disabilities Act and the Clean Air Act will affect future transit needs and costs?

Mr. MEAD. Yes, it's going to be dramatic. The proposal includes $50 million that could go for one of several things, including the Americans with Disabilities Act, but I can tell you that over the period of this reauthorization new contracts for new transit equipment will have to provide equal access, and that's going to cause some additional expense.

Also, there are going to be requirements for retrofitting the existing equipment. Whenever it goes into the shop for rehabilitation, the transit authority is going to have to pick up the tab for that. We haven't costed it out, I don't think DOT has, but the transit authorities are definitely concerned about this.

Mr. BORSKI. Looking at the Administration's reauthorization proposal, how do transit programs fare in comparison to highway programs? In answering this question, could you give the subcommittee a brief idea of the historical relationship between transit spending and highway spending?

Mr. MEAD. Yes. Take fiscal year 1991, which was a year in which finally everybody, comparatively speaking, ended up feeling that they were treated generously. In highways in 1991, the obligation limit—that is, the amount of commitments that could be charged against the Highway Trust Fund for highways—is about $14.5 billion. In 1996, the Administration proposes that to be at $20 billion. Let me give you a mark now for 1991 and 1996 for transit: about $3 billion for 1991; 1996, $3.3 billion. I think the figures speak for themselves.

It is possible, as Mr. Clymer was pointing out, that the flexibility provisions in the new law, should it become law, could potentially increase mass transit funds. It could triple it. But as I indicated, we have some reservations about just exactly what the incentive will be to move those highway dollars over to mass transit.

Mr. BORSKI. I would assume that it could also lessen it. Would that be fair to say?

Mr. MEAD. Yes.

Mr. BORSKI. Is this a new trend or has this always been this way? Has highway spending been that much greater than transit spending historically?

Mr. MEAD. Yes.

Mr. BORSKI. So it's not a new trend?

Mr. MEAD. No.

Mr. BORSKI. Under the Administration's proposal, how much of the transit account is available for highway projects?

Mr. MEAD. All of it. Pardon me, I misspoke. Except for the Section 3 Discretionary Program, which would be $350 million or $400 million. So all of it except for that $400 million.

Mr. BORSKI. And under the Administration's proposal, how much of the highway funding is available for mass transit, and does any of this funding come from the Highways of National Significance portion of DOT's proposal?

Mr. MEAD. No. I have not taken the time to read every provision in this very thick reauthorization proposal. I've read the overviews and the briefings of it, and there is no indication in those that the money at the upper tier—the Highways of National Significance tier—could be used for mass transit, except for 15 percent of that the States could transfer to the Urban/Rural tier. The Urban/Rural tier in its entirety could be moved to mass transit in theory—in theory—and that would be in the neighborhood of, I think, $7 billion a year.

Mr. BORSKI. Okay. Let me stop here and yield to the gentleman from California, Mr. Packard.

Mr. PACKARD. Thank you, Mr. Chairman.

Thank you very much, Mr. Mead.

In your testimony, you indicated that there are only a limited number of States that have their funds available flexibly between highways and transit, and yet that's a condition, of course, of Federal funding. First of all, about how many States are there? Do you know?

Mr. MEAD. I think we're talking in the neighborhood of 10 to 15 States.

Mr. PACKARD. Are those generally States that are significantly into transit with heavy urban metropolitan areas or are most of them—could you categorize them into any specific where they——

Mr. MEAD. No, I would have to get back to you on that.

Mr. PACKARD. Okay. Those States that do have the dedicated flexible funding, are they States that particularly need the Federal flexible funding or are they States that you think are unique in any way?

Mr. MEAD. No, I think we have to recognize, Mr. Packard, that it's a very new concept. The fact is that in some States the State law prohibits the use of, say, the gas tax receipts from being used for anything other than highways. Things like that would have to change under this proposal for the money to be made available for mass transit. I believe that the thinking about this—the dialogue—on this possible flexibility is something that's fairly recent.

Mr. PACKARD. Well, I guess the thrust of my question is to try to determine if in fact the policy of only allowing Federal funding to go to States that have flexible State funding is tantalizing the very States that need the Federal funding the most. That's what I'm trying to get to, to see if in fact there is a Catch-22 built into the policy here for those States that drastically need Federal assistance.

Ms. KRUSLICKY. I think, Mr. Packard, from the list that we looked at of the States that have such a dedicated source of funding, it's mixed. Obviously, California is on that list, the State of Maryland is on that list. How you would categorize the needs of these States might differ from State to State, it might differ between you and I, so I think for us to say that a State should be on that list that isn't on that list and a State that is on that list should not have a dedicated source of funds—I don't think we can do that.

Mr. PACKARD. There are no studies, in other words, that have been done that would show whether the various States of greatest need are being penalized because of the new policy?

Mr. KRUSLICKY. I have not seen such a study, sir.

Mr. PACKARD. Has the GAO done any studies that would indicate or show the relative efficiency of the highway system or the increased funding for highways versus the funding or the system of mass transit as it relates to moving people, particularly in urban areas? Is there any way to accurately determine where our money could be best placed in terms of serving the need of moving people?

Mr. MEAD. Well, that's what I was alluding to earlier. I think the value systems that people have about traveling differ markedly, perhaps even from community to community, and GAO is not in a position to prescribe the best way of transporting people in a community, so we haven't done that. We do know that in areas that will qualify as congested under anybody's test, the investment of additional dollars in trying to build highways to accommodate that congestion needs to be revisited. I think that has been generally recognized, but people haven't felt enough pain yet to be forced into a situation where they have to look to transit as an alternative.

This morning we were talking about congestion pricing, and under this proposal, under the highway portion of it, they would authorize communities to charge during peak periods. Whether a community will decide to do that or not, I don't know.

Mr. PACKARD. It would appear that such a study would be helpful. Most communities, certainly the areas I represent, are looking to develop the balance that I believe the Administration is trying to emphasize in their proposal, and, of course, funding drives the attainment of such a balance, the distribution of your funds. I think communities are struggling to know where that balance is and where their resources could best be placed to achieve a balance in highways versus mass transit versus a variety of other transportation needs—bridges and alternative fuels and a variety of other places where we could emphasize—but such a study has not been done.

I have no further questions, Mr. Chairman.

Mr. BORSKI. Mr. Anderson?

Mr. ANDERSON. Mr. Mead, thank you for your fine presentation.

Your statement refers to the transit objective as moving people out of their cars. You obviously have given some thought to the role of transit and to appropriate Federal roles, and so let me read to you a sentence from the testimony of the UMTA Administrator. He says, "We believe that operating assistance generally is best left to State and local governments, since it is at the local level that fares, service, labor costs, and other budget and revenue issues are determined."

Now, do you feel that there is not an appropriate Federal role in operating assistance?

Mr. MEAD. I listened to the objectives that Mr. Clymer stated, and I would not disagree with the objectives. For example, he said that if the Federal Government stops paying operating expenses then that will encourage people to tighten up on how they operate. I would expect that's true. He also indicated that by investing in capital that would maximize the return on the Federal investment. I suspect that, too, to be true. I might also point out that much of what normally would be considered operating expenses here will,

at least for areas under a million people, be treated as maintenance now. It's a policy matter.

I'm concerned about transit authorities' capacity to absorb these shifts in matching shares and in operating expenses. I wish we had the money to cover for that. I don't think the answer is to tell people, "Well, it should all be user fee funded." After all, let's look at fare box recoveries and who is paying at the fare box. Some of the target populations in transit, Mr. Anderson, of course, are the elderly and the disabled and some of the inner city poor.

I think you have a very difficult policy question on your hands, and I wish we had the money to approach the problem.

Mr. ANDERSON. Thank you.

Mr. BORSKI. Mr. Visclosky?

Mr. VISCLOSKY. Mr. Mead, getting back to some of the points you raised in terms of the obstacles that may be in place regarding the flexibility issue, one of the concerns I have is the proportion of non-federal moneys that are now provided to match mass transit grants. It is my understanding that most of those are non-state dollars, that most of those are generated by the localities in one fashion or another.

Mr. MEAD. That is correct.

Mr. VISCLOSKY. I guess my concern, following up that, then, is my impression, given the difficulties we have in northwest Indiana and the historical relationship we've had with the State of Indiana in terms of providing mass transit assistance, is that it is going to be a significant historical precedent and situation and custom to overcome if you are going to increase that flexibility in terms of evening up the game between highways and mass transit.

You mentioned in your testimony incentives and the hope that there would be incentives in this area. Do you have anything in mind and would you want to expand further in terms of your concern about this mismatch in changing some of these patterns?

Mr. MEAD. I would not cast this as a GAO recommendation. I'd like to make that clear. Based on the experience we've had in the area, the Urban/Rural Highway Program and the Mass Transit Program—one wonders whether they should be thought of more as one, particularly the urban component of the highway program. I think that it's going to be a very important role for your State legislatures here because we have State highway departments who are more accustomed to building highways and major construction projects than they are mass transit systems. So the role of the State legislatures will be critical.

I think there is probably a certain amount of "you can take the horse to water, but you can't make the horse drink it," and I don't know how far Congress can go in forcing the State legislatures to think a little differently. But the State legislatures are definitely going to have to take a role here; otherwise, it will repose in the State highway departments to give up highway money for mass transit.

Mr. VISCLOSKY. You wouldn't have any specific incentives in mind—and I have a very specific example and problem in Indiana. Several of our local legislators are trying to implement a State statute to allow a locale I represent in northwest Indiana the ability to impose a local tax. They started out with a sales tax that has

historically tended to be under the purview of the State, and now they're on to other issues. I think it's going to be very difficult to convince the General Assembly of Indiana to even allow us local discretion to tax ourselves to support mass transit.

Any ideas as far as incentives for general assemblies such as Indiana's to change that attitude?

Mr. MEAD. No, but we'll give it some thought and get back to you.

Mr. VISCLOSKY. I would appreciate that. I'm confronted with a very serious situation in my portion of the State. We have two current mass transit systems, one of which is operated by Amtrak and will discontinue on May 6, and there are simply no resources and no one to pick that service up. I am concerned about the observation you raised in terms of this historical precedent and tradition, and again, given the current status of the legislative proposal in the Indiana general assembly, I am just very fearful that it's not going to work as the Administration intended.

Mr. MEAD. One thing that's interesting that came up this morning in fact—Senator Moynihan made this observation on the gas tax—the more people drive cars and consume gas, the more money goes to highways. It's kind of an interesting anomaly. But we'll give that some thought, and we'll make a point of getting back to you directly and soon.

Mr. VISCLOSKY. I'd appreciate it. Thank you.

Mr. BORSKI. We're going to have to break now to go over and vote, so the committee will be in recess for about 15 minutes.

[Recess.]

Mr. BORSKI. The committee will reconvene, and the Chairman of the Surface Transportation Subcommittee, Mr. Mineta, is now recognized.

Mr. MINETA. Thank you very much, Mr. Chairman.

Mr. Mead, thank you again for your testimony and your report here.

I just want to ask you one about—you said reconciling the two objectives, and I take it that those are the two objectives that they were talking about—moving people from cars to transit and that the objective of transit was to move people? You're saying that that's what you wanted to reconcile?

Mr. MEAD. That we need a methodology for addressing those objectives. They will always be in competition to some extent, but right now they're in competition such that there is no attempt made at the Federal level to reconcile them when arriving at judgments about how much "X" program should be funded as opposed to another program. Again, to reinforce that, the DOT prepares separate needs assessments, as you know, for bridges, highways, and there really isn't one prepared for mass transit. So we don't really have a good idea of the vastness of the needs in that area.

Mr. MINETA. Also, you mentioned about mismanaging and wasting money. I wonder whether or not that's not because the guidelines, or the rules rather, are not clear enough in terms of what moneys can be spent for what purposes so that transit districts do end up not in terms of any wastefulness or because they're not competent, it's just that it's not clearly enunciated.

I think our Santa Clara County transit district in a way went through this recently, not because of any waste, fraud, and abuse, just because the rules weren't that clear. Now I guess they're coming back and saying there is some $100,000 worth of moneys that were misapplied. They don't say it was spent illegally; they just say it came out of the wrong coffee can.

It seems to me that to that extent that's not on the backs of the transit district. It ought to be on the back of UMTA in terms of clearly delineating what funds can be used for.

Mr. MEAD. There is, of course, an element of that, and let me ask Erin Bozik just to amplify on that briefly.

Ms. BOZIK. The four reviews that we have ongoing and our previous work all indicate that UMTA's oversight has not been effectively guarding what those Federal funds have been used for. With regard to the individual——

Mr. MINETA. Excuse me. Could I interrupt you just for that? I think you just probably hit it on the head. You probably answered your own question in the sense that they don't have sufficient people really to do the job. Is that what you're saying?

Ms. BOZIK. That may be a part of it; however, their oversight mechanisms themselves may not be applied as clearly as—there may be a better way for them to use their resources to target the way that mass transit authorities are managing their own systems. That was the one thing that we are finding, that in some cases the transit authorities don't have good management systems in place to ensure the effective spending of funds in the first place, and then UMTA's oversight steps in later and is not detecting as many things as we'd like to see them detect.

Mr. MINETA. Is there any kind of technical assistance that UMTA gives to local transit districts to help them along in that regard, then?

Ms. BOZIK. They do provide technical expertise. They also are using PMOs—project management oversight teams; it's a new concept that UMTA is using with the larger grantees to give the kind of day-to-day oversight for operating the project, but that's not financial oversight. That is project-oriented construction-oriented oversight.

Mr. MINETA. I have no further questions, Mr. Chairman. I just want to thank Mr. Mead again. I always find his reports as we get into these issues to be very good, so I just want to commend him on that.

Mr. MEAD. Thanks.

Mr. BORSKI. Mr. Mead, I want to thank you again for your testimony and thank you and your associates for the fine job you did on this issue.

Mr. MEAD. Thank you, sir.

Mr. BORSKI. Thank you very much.

[Mr. Mead's prepared statement appears on page 141.]

Mr. BORSKI. Our next panel will consist of Mr. Thomas Downs, Commissioner, New Jersey Department of Transportation; Mr. Louis Gambaccini, General Manager, Southeastern Pennsylvania Transportation Authority; Mr. William Hein, Deputy Executive Director, Metropolitan Transportation Commission of San Francisco; Ms. Dinah Minteer, Manager of Rail Services, North County Tran-

sit District, Oceanside, California; and the panel will be accompanied by Mr. Jack Gilstrap, Executive Vice President, American Public Transit Association.

Would you please rise and raise your right hand?

[Witnesses sworn.]

Mr. BORSKI. I understand that it has been agreed upon by the panelists that Mr. Gambaccini will start our proceedings.

Mr. Gambaccini, whenever you're ready.

TESTIMONY OF LOUIS J. GAMBACCINI, GENERAL MANAGER, SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY; THOMAS M. DOWNS, COMMISSIONER, NEW JERSEY DEPARTMENT OF TRANSPORTATION, ACCOMPANIED BY SHIRLEY DE LIBRIO, EXECUTIVE DIRECTOR, NEW JERSEY TRANSIT; WILLIAM F. HEIN, DEPUTY EXECUTIVE DIRECTOR, METROPOLITAN TRANSPORTATION COMMISSION OF SAN FRANCISCO; DINAH MINTEER, MANAGER, RAIL SERVICES, NORTH COUNTY TRANSIT DISTRICT, OCEANSIDE, CA, ACCOMPANIED BY JACK GILSTRAP, EXECUTIVE VICE PRESIDENT, AMERICAN PUBLIC TRANSIT ASSOCIATION

Mr. GAMBACCINI. Thank you, Mr. Chairman.

I am very conscious of the late hour, and I will try to race through this slide presentation quickly.

I would note in starting that this slide presentation, which I have included with my statement, [see p. 87.] in a sense can be viewed as the evolution over the 30 years that I've been in the transit business of increasing frustration at the national level, particularly with respect to the bias against transit and pro highway. I would also note that in the 30 years that I've been in transportation—39 in public service—I've spent 15 years as general manager of two transit systems, three years as chairman of the board of another, and I've served in two stints of three years in capacities overseeing highways and transit. I say that primarily to underscore that this is not an anti-highway diatribe; it's an appeal to the committee to look at an array of vital interests from the national perspective and to try to bring some balance into the policies that guide national legislation.

Chairman Borski saw this presentation two months ago. I put it together for a meeting with some 20 other colleagues from around the country in order to arouse a sense of passion and a call to arms to really start to bear down more than we've ever done as an industry and as an array of related interests. We hope to build significant support from a wider array of constituencies to help make our case down here.

I call this now "Linkage: Critical National Indicators," and it evolves from a talk I gave about a year ago called "Turning the Lemmings Away from the Sea," and I still like the furry-footed rodents that have this suicidal tendency as a kind of a mascot or a symbol on what national policies or non-policies have in fact been directing us to do over the course of the last couple of decades.

Transportation as a percentage of the Federal budget has been declining, certainly for the last 10 years and before that. Within transportation, however, aviation is up 131 percent—these are in

outlays—highways up 85 percent, and transit down 5 percent. Highways are up 23 percent above the increase in CPI, transit is down 37 percent in the time frame 1981 to 1991. So much of the discussion today has been prospective about the next five years in the authorization bill. It's important to keep in mind the context in which you view that, which is the last 10 years and a rapidly worsening, unlevel playing field. I should say, by the way, that in our own case on SEPTA in Philadelphia, the actual decline is 65 percent in constant dollars and 50 percent in nominal dollars.

Now, APTA has, based on its studies of need around the country, concluded that the need is $7 billion to maintain existing systems and an additional $4 billion to position APTA to handle growth, both present and future, particularly in the suburbs. Another way of looking at that is had the transit program merely tracked inflation, we would be at a $6.5 billion level. If it also got funded for the mandates imposed by the Feds, particularly the Clean Air Act and Americans with Disabilities Act, we'd be at an $8 billion level. If we funded transit like our neighbors to the north in Canada on the same per capita basis, we would be at $11 billion.

How ever you slice it, APTA's expectations, particularly as matched by State and local, are modest in comparison to simple inflation had we gotten even a minimal level compared with other transportation interests or by almost any other imaginable comparison. Certainly, in the context of comparisons with other public expenditures at the national level, such as savings and loan bailout, ADA, and the like.

I think this dramatically underscores the distorted priorities that abound in the country: $5 billion a year to advertise the sale of new automobiles, and a national program to finance the purchase of equipment to assist in all the operating costs, including the people who drive that equipment to maintain the rights of way, $3 billion. Something is vastly out of order.

This is taken from a New Yorker magazine in 1955, the year before the Interstate Program began. The caption is—and this is four automobile company executives looking out the window at a line of new car carriers stretched from the horizon to the production gate—and the caption is, "The jam extends from the city clear to our production gate. Gentlemen, we've reached the saturation point." How prophetic.

If you divide into the Federal support to aviation and to transit the number of riders in each mode, you get this result: A $20 subsidy per aviation trip, a 29-cent subsidy per transit trip.

This slide is before the Iraq war, and, of course, it's been up and down quite dramatically, but the price of gas in the United States pre-Iraq war hovering around $1.15 was in constant dollars less than when gas was 30 cents 20 years ago, less than when gas was 18 cents 30 years ago, and as you see, a fraction of the price of gasoline in the western nations.

This shows simultaneously in blue the comparative cost of gasoline and in red the total consumption. The two obviously go together, and in most western democracies the judgment was made that significant taxation not only deters the wasteful consumption of energy and minimizes air pollution but also produces the where-

withal to deal with infrastructure and other national goals. We have not yet learned that lesson.

I was intrigued by the public non-debate, the timidity of elected officials and the media in confronting the nickel tax. A nickel equates to $40 to $50 a year per driver in actual outlay, which is less than the cost of the admission for two in sporting events and rock and roll concerts, and I was so intrigued that I wanted to get a couple of other measures of what per gallon costs are.

Particularly look at the green columns. I think most people would be incredulous at the notion that every time they filled up their tank, about $15 for a middle size car, they're spending $40 for auto insurance equivalent to that use of that full tank. It varies from rural to suburban to urban, but it certainly puts in context how trivial that nickel is and at least should raise the policy question on what a major job we've got to educate and lead the public to understand there is no free lunch and for that nickel there is a specific, meaningful, tangible result that they should buy into readily.

Can you read that or shall I read that?

Mr. BORSKI. If you could read it to us——

Mr. GAMBACCINI. All right. The first box shows Uncle Sam talking to a driver, saying, "Did you know that 25 cents on a gallon of gas would let us pay off the deficit, rebuild our infrastructure, and save our schools?" And the driver says, "A tax? Don't you dare mess with my gas. That's downright un-American." The next box shows a loaded capitalist saying, "We hiked the price 35 cents a gallon. Nothing personal; it's just the magic of the free market." And the driver is saying, "Free market? Well, okay. For a moment I thought you were talking gas tax."

This is probably the most significant slide of the lot. VMT—vehicle miles traveled—is increasing at a rate four times the rate of increase in population, more than twice the rate of increase in employment, and twice the increase in auto registration. That's been an ongoing process since World War II. It suggests runaway gluttony in policies at the national level to feed that appetite without regard to where it leads and at what cost that represents.

We have this happy statistic from FHWA and AASHTO that by the year 2020 we will have on the highways twice as many vehicle miles traveled than we have today after 50 or 60 years of accumulation. Now, we have a whole new major crisis that began two or three decades ago, which is the surge in growth in the suburbs. We are not in any position nationally or regionally to deal with the demands today of the congestion in the suburbs, we certainly aren't even beginning the planning process for dealing with it tomorrow. And I would say, by the way, that the suburban growth has been on the order of 80 percent of the factors of growth for the last couple of decades, so it is meaningful to the nature of our economy for the future if we deal with it or not.

You would think in light of all those data that we should be moving intelligently to greater efficiency and use of autos, but in fact we're declining in the number of people on average who ride in an automobile. One of my staff, who is a wag, said, "Pretty soon, it will be down below one." And another answer: "I've already seen them on the road." [Laughter.]

I frankly think the UMTA program has been a great success. It stemmed the tide of steady declines over the last four decades since World War II, and I think there is a direct correlation between the increases of funding in the 1970s and the stabilization of transit. What we don't have is the capacity to expand and improve our systems to meet existing market demand or to encourage and build new market demand through programs of incentive. Quite the contrary, the authorization bill before you continues the overwhelming bias and encouragement to the use of the auto and depressant to the use of transit.

Now, once again, further indicators that obviously suggest linkage are transit rides per capita are dramatically higher—some six times higher—in Japan, but even our neighbor to the north, which has many of the similar characteristics of sprawl and density and the like, is experiencing two to three times the rate per capita of transit usage, and another dimension of that is consumption of energy per capita, which is markedly higher in the United States than, again, any of the western nations.

For the first time in history, we are crossing the 50 percent divide in the proportion of oil consumed and imported from abroad. Now, that increases our dependency—or at least our vulnerability—to the volatility of politics in the Near East, but it also has some dire impacts on our economy. Forty percent of our negative trade deficit is imported oil; that is permanently lost wealth that could otherwise be directed to R&D, technical education, reinvestment in our capital infrastructure. You put that together with the extent of flow of funds on the out-migration of payments abroad covering our deficit, and we are expending our capacity really to build the support for a flourishing economy in the next century.

On energy consumption, if you take a case of 40 commuters doing a 10-mile round trip, this is the dramatic difference in the course of a year: 750 gallons consumed by bus, 5,000 gallons by single passenger car.

Let me read this. In the top left box, "We've got to do something about Iraq and that mad tyrant, Hussein." The next box to the right—and this is from the Miami Herald—"Actually, we could conserve energy," says the woman, "by driving smaller cars, driving less, using more public transportation, using less electricity in our homes, investing heavily in developing other energy sources, and slightly altering our lifestyle. Then we could import less oil and cripple Iraq's economy." The man contemplates that and says simply, "Couldn't we just nuke them?"

The problem of air pollution grows. This is only the non-attainment areas in ozone. If you did this for carbon monoxide, you'd have the same kind of densities but somewhat different locations. We are not dealing with that in any effective way yet.

Freeway congestion is building. The projections are a 400 percent increase in 20 years, from 1984 to the year 2000. Seven billion vehicle hours stuck in stop-and-go traffic by the year 2000.

When transit has an accident, which it rarely does, it is headline news around the country. We had our worst accident on SEPTA in its history a year ago. Four fatalities. It is a continuing major issue. The carnage on the highways has subsided from a peak of

55,000 to 45,000 a year and is projected to grow to 70,000 if the VMT also continues to grow as projected.

Public investment in infrastructure similar to the proportion of budget has been on a downhill slide for the last 20 or 30 years. David Aschauer, formerly of the Federal Reserve Bank of Chicago, now at Bates College, has done several studies over the course of the last couple of years that show a relentless correlation between productivity and investment in infrastructure. It's stunning, and it's consistency leads him and other economists to conclude that it is imperative that we reinvest in our infrastructure to support the economy and its productivity, and even if the distasteful alternative were to increase the deficit, it would still be a preferred choice than to continue to permit the infrastructure to crumble and productivity to drop.

I think you can read this. This is from the Philadelphia Inquirer. "We've destroyed their roads, their bridges, and their infrastructure, and their economy is on the ropes," says the General briefing the press. In the second box, "That makes us even." In a couple of slides, you'll see how poignant and relevant that is to the Philadelphia circumstance of crumbling infrastructure.

Very briefly in two slides, to summarize SEPTA's position with respect to the Administration reauthorization proposal, increases the pro-highway, anti-transit and anti-city bias; it increases the ratio of funding highway to transit from 2:1 10 years ago to 5:1 currently to 8:1 by the year 1997, and that assumes sources—the 8 cents on the Highway Trust Fund and the 1 cent on transit. In fact, because there will be a balance in the trust fund on highways, the actual ratio in 1987 will be 10:1 or 12:1. I submit this is in stark contrast to the President's policy of leveling the playing field. We are going rapidly in the wrong direction in most respects.

It maintains a disproportionate bias favorable to highways with respect to the matching ratios, as shown here, continuing 90/10 on interstate completion, 75/25 for most of the highway program, and much lower for transit. It's significant that the only part of the highway program that is comparable to transit is that which has the trade-off possibility or the so-called flexible funding, which itself is something of a further bias.

It eliminates operating assistance where it is most critically needed in the country; it permits all of the transit money to be cashed in for highway use, but only one-third of the highway money is to be turned in for transit; it mandates Clean Air and ADA without corresponding funding.

I think this tells something of the story as we see it. This is Alice in Wonderland. "Would you tell me, please, which way I ought to go from here?" Well, you can read this one, I'm sure.

Mr. BORSKI. You can proceed for the record, Mr. Gambaccini.

Mr. GAMBACCINI. Well, Alice is asking, "Would you tell me, please, which way I ought to go from here?" "That depends a good deal on where you want get to," said the cat. Alice replying, "I don't much care where." And the answer is, "Then it doesn't matter which way you go," said the cat. I submit that might have some relevance to where we're heading as a nation.

This is a quote from Winston Churchill. "You can count on the American people to do the right thing; after they've tried every other alternative."

We have in Philadelphia a 5.25 mile stretch of elevated structure on one line of our rapid transit system, which, if it were ranked with other entire rapid transit systems in the United States, would be eighth in size in the United States. It's the Frankford Elevated Rehabilitation Project. Several years ago, we had a project that would have seen the completion of that rehabilitation on this time table—by 1990—and within that context, we did accomplish these limited goals, given the limited availability of funding. We did one of 11 stations, a small portion of a line section complete, signals and communications, and traction power.

This is a complete section with a new deck and new stringers beneath. Again, a rehabilitated section. We won an American Society for Civil Engineers award for the excellence of engineering. All of this work is done from Friday night to Monday morning. Sections are totally removed and restored in that kind of a time frame. This was just getting up to a stride of efficiency and performance that was a marvel to behold when we had to pull the plug. This is the only station to be upgraded in that line.

The line itself has seen accelerated deterioration for lack of maintenance over the last several decades. We had to redesign the system to assure safety for the rest of the line because we couldn't afford the so-called systems and obviously logical approach to rehabilitation. So we went from what you saw in the earlier slides to merely supporting the system from below with stringers to prevent it from collapsing.

So we now stretch out from 1990 completion to the year 2005 to merely hold the thing from collapsing, and we will not complete the original goal for 21 years. So the original design to be completed totally in six years at almost half a billion dollars will now take 21 years and cost a billion dollars. It will mean that we'll go back to disrupt the community and the riders four times instead of once and run increasing risk of peril to operational reliability and perhaps safety.

These are the stringers that are going up where we're now just leaving in place the decrepit deck and superstructure, so that in effect the stringers will be done for the entire length, holding the rather deteriorated structure above in place.

The top bridge is the SEPTA bridge over Amtrak tracks. On the lower level, Amtrak and SEPTA operate 180 trains; on the upper level, some 380 SEPTA trains operate daily, both of which are above a city street.

We are urgently proceeding with repair because of its physical condition. These are some common conditions that abound throughout that system.

At the end of the stringer project, the red represents what will have been complete work, systems approach in the yellow, that which stretches 21 years out. Or seen another way, 55 percent would be merely holding the structure from collapsing and only 41 percent completed.

And I submit for the couple of remaining slides, think about any Third World nation or underdeveloped nation—I can't remember,

and I've traveled through a number of such nations, conditions as abominable as this. We have to do these patch repairs at plus or minus $10,000 apiece under urgent basis because of the rapid rate of crumbling, all of which will be ripped out when and if we ever get around to completion.

Here we have to put in a support while we put in a replacement truss like the one you just saw.

This is the underside of an active platform with spilling concrete and rusting rebars in an active platform.

This is one of the stations on the system, Berks Station.

Here we literally had to put staples on the corner of the building to keep the wall from buckling and collapsing.

Here the windows cannot be replaced, or the glass, because the rest of the structure is so fragile. There's nothing to hold the glass to.

I might add that 60 percent of this elevated structure, Mr. Chairman, is in your district, as you well know, and I don't know how as a nation we can tolerate this kind of a condition as we think about our commitments abroad and allocation of funds to other priorities.

Thank you. I appreciate your attention for providing me the opportunity to present this.

Mr. BORSKI. We want to thank you very much for your testimony and for the tremendous job you're doing at SEPTA under very trying circumstances at times, and I would just mention for the record that that last "L" stop was the one that I used to walk to and travel downtown on every day. It looked better about 25 years ago, I could say.

Commissioner Downs, would you proceed with your testimony now, sir?

Mr. DOWNS. Thank you, Mr. Chairman.

I'd like to take this opportunity to briefly introduce Shirley DeLibrio, who is the Executive Director of New Jersey Transit. Together we're trying to face a lot of the same problems that Lou Gambaccini was just explaining to you.

As I was listening to Brian Clymer, who truly does have the interest of transit at heart and has been trying to do the right thing, I am reminded of appearing before this committee a number of years ago, under the same kind of control of the Office of Management and Budget, and trying to advocate a program that I knew was substantially flawed. That was a political decision that came out of the Office of the President of the United States, and you had to salute the flag and be a loyal part of the Administration. I had some feeling of sympathy for Brian, who truly is an aggressive supporter of transit trying to sell a flawed program.

I'm often struck by what happens with transit is evil. Not the normal type of evil. Banality of the worst kind is people who don't care about what happens either to the programs that are being supported by part of the Federal budget or the clients who use those services. The current Administration approach to this bill is banal and in some respects, I think, cynical and evil. Other than that, I think it's a wonderful bill.

For instance, the decision that OMB made to lop off the operating assistance conversion for cities above a million. I know that when the Secretary and Brian submitted the bill to OMB, it did not

have that provision in it. I think it was a decision made at a political level to attempt to divide the transit community in a most cynical way about medium size properties and larger properties and hopefully win out on a substantial change in the nature of the program. I'm hopeful that the transit community itself will not fall prey to something as cynical and as divisive as that.

The outlay figures proposed in the Secretary's budget are an equal piece of legerdemain thought up by green eyeshades at the Office of Management and Budget. The Secretary's published document on the proposed Administration fiscal year 1992 budget shows an outlay figure for transit of roughly $3.5 billion as compared with a current fiscal year 1991 outlay figure of $4.1 billion. No matter how you cut it, under this budget reconciliation process of the last year, outlays are the only thing that counts.

The net result in terms of cash outlay for this coming year in the Administration's budget is a net reduction of almost $600 million worth of outlay for transit programs. They did it by taking the operating assistance money from cities above a million population, which was an every year immediate outlay, converting it to capital, spreading about 5 percent of it apparently to capital, by year, over the life of the bill, and in effect reducing the net cash that would go to transit by a half a billion dollars or, over the life of the bill, $2.5 billion.

That is a green eyeshade game that allows people to say that there was a net increase of 2 percent of 25 percent or whatever kind of percent figure people want to talk about. The net result for New Jersey Transit of that game is that the elimination of operating assistance cost $38 million, the increase in capital restores $14 million, or $24 million out of pocket. Now, that's not a net gain.

In another part of the bill, I know that when the Secretary and the Administrator submitted the bill to OMB it had a quarter of a billion dollar program for clean air compliance for non-attainment areas. It was whacked to pieces apparently, down to a relatively minuscule $50 million funding proposal that is relatively unclear in the act. It will not help areas like Philadelphia and the entire State of New Jersey, which is a non-attainment State under the provisions of the Clean Air Act. We've got New York City on the north and Philadelphia on the south. It will not help us in clean air because of the lack of funding flexibility around non-attainment jurisdictions. It does not put the Administration's money where the Administration's mouth has been, which is touting off their commitment to a cleaner environment under the Clean Air Act.

In addition, this bill proposes in a relatively cynical fashion to draw the balances down in the transit account of the trust fund. It does it by abandoning any general fund commitment. It draws, so, down in light of the sunset of the half-cent gas tax at the end of the bill, leaving at the end of this time an almost depleted transit account which would be funded by 1 cent, or about a billion and a half dollars a year after this. I understand this was probably the ultimate Administration intent. They assume that adequate level of funding for transit is about a billion and a half dollars per year.

The issue about what happened to the commitments around the 1982 gas tax where commitments were made publicly and privately that this cent for transit would not diminish the general fund com-

mitment—I know that was a previous Administration. The last round of gas taxes had a similar kind of commitment. The additional gas tax would not diminish the general fund commitment to transit, that this in effect would be divided out among highways and transit as an equal commitment on funding without a reduction in overall effort.

In effect this puts a lie to both of those commitments made by the Administration and the Office of Management and Budget. It is a cynical process again to abandon any general fund commitment to transit and not even live up to a reasonable commitment of gas tax funding for transit.

Changes in match ratio significantly disadvantage transit in funding flexibility. I don't care what the Administrator or the Secretary says—choices are false when it means that you can take 90 percent funding money on the highway side and convert it into 60 percent money on the transit side. A 30 percent penalty in terms of State match is almost a predetermination that the funds will not be used in a flexible fashion. If there is going to be flexibility of funding—multi-modal, whatever we call it—in terms of trying to make rational transportation decisions at the State level between highways and transit, there has to be a consistency of match ratios. I hope that the Administration's match ratios are dead on arrival. I don't see anything that speaks to funding flexibility in non-attainment areas or between highways and transit in the Administration bill.

In terms of all of the charts that Lou Gambaccini was talking about, there is only thing that counts in this process. You can talk about research, you can talk about program funding flexibility, you can talk about apportionment formulas, you can talk about rail mod formulas; there is nothing that counts in this process except the amount of money that is authorized for outlay for transit. There is nothing else.

This is a proposal over time with inflation to net reduce the Federal commitment—even with the Transit Trust Fund—over this five years. To net reduce the funding commitments to transit and at the same time increase in real dollar terms or inflated dollar terms by a substantial amount the highway commitment. If that is domestic policy, it puts a lie to the Administration's commitment to everything from the Disabled Americans Act, the Clean Air Act, urban mobility, city survivability, and our infrastructure.

There is only one thing that I would urge you to focus on in this process, and that is where the money actually goes over this next five years and what kind of flexibility to put local money and Federal money on national problems. This bill proposes to continue a process of nibbling to death the national commitment to mass transit as an alternative for transportation-dependent people. We must not nibble our national transit commitment to death. I would suggest that it needs to be corrected as quickly as possible both in terms of a clear statement of priority, and it also needs to be funded.

Thank you, Mr. Chairman.

Mr. BORSKI. Thank you, sir.

We'll hold all questions until all the panelists have made their statements.

Mr. Hein, please.

Mr. HEIN. Thank you, Mr. Chairman.

My name is Bill Hein. I'm the Deputy Executive Director of the Metropolitan Transportation Commission, which serves the nine-county San Francisco Bay area. The Bay area, as you know, has an aggressive transit program. We have a program that exceeds roughly $800 million a year in operating expenses and up to another $200 million for capital annually.

The last 10 years have been like the "Perils of Pauline" as far as Federal transit assistance has been. The struggles between the administration proposals to totally abandon transit and your efforts to try to restore it in the face of mounting deficit has resulted in a dramatic erosion of these funds for transit. Federal funds are a very important part of the transportation program in our region, but nonetheless we've seen over the last 10 years the Federal funding decline from about 20 percent of our program to around 10 percent of our program. That deficit has been made up mostly by local funds, but there's a limit of the ability of local governments to come forward and support transit.

You stitched together the Section 9 Program with the objective of sustaining the transit capital plant. In the early 1980s, the funds that were in the Section 9 Program were able to meet all of our replacement needs. It is now no longer able to do that. It meets about 53 percent of the needs within the Bay area, and we project that with the levels that are being proposed for the future that will drop to about 36 percent of our needs over the next decade.

Although Federal operating systems, as you've heard before, is not a large percentage of our budgets, it is nonetheless a very important percentage for some of our budgets. For example, in Congressman Mineta's district, in order to restore the Federal operating assistance, he would have to raise fares by 50 percent, and that assumes nobody would leave transit.

The net result of this decline of both capital and operating is beginning to show. It's showing in deferred replacement and it's showing in the starving of operating budgets, particularly in the area of non-service-related budgets like maintenance, and I can guarantee you that if we continue to starve it at the rate we're doing it, the BART system may well look like the Philadelphia system in another 25 years. Those are strategies that we simply cannot follow.

It's well accepted on the highway program that you maintain what you build. The administration's reauthorization proposal continues a major program to rehabilitate the interstate system. The Section 9 Program, in my view, should be seen as the equivalent for transit in urban areas, and in order to meet that need, it needs to be at least restored to the levels that it was in buying power in the mid-1980s.

I won't dwell too long on the Section 3 Program, but needless to say an inadequate Section 9 Program puts a tremendous burden on the Section 3 Program. Competition for rail modernization vastly exceeds the funds that are available nationally and in our region. We have a current and accumulated request for Section 3 funds for rail modernization in the amount of $173 million; we expect less than $60 million in 1991. Part of that $173 million is from projects

that could logically be funded from Section 9 if it were fully funded.

We are also trying to expand our rail systems to address urban mobility and air quality problems. We have a regional consensus on a $3.4 billion rail program which is based on less than a 30 percent Federal contribution. However, this translates to a Federal commitment of nearly $100 million a year over the next 10 years, and that's one-third of what is being proposed in the administration budget. As a consequence, over time the administration has put in place something called alternatives analyses, which is in theory a good theory to force good planning but in practice is a way to meter very scarce Federal funds. As a result, we have to go through enormous hoops in order to advance our rail transit projects. We don't have to go through the same hoops to advance highway projects, although we are now going through different hoops, and I'll come back to that.

Let me switch gears from funding to the rules of the game. The rules are set forth by the authorization that you have to deal with, and this year reauthorization is both a challenge, I'm sure, but it's also an opportunity for transit. Many of the problems of transit, particularly the need to expand, can be eased if you allow bus and rail systems to compete fairly for funds in urban areas. We believe that funding to urban areas should be both predictable and flexible. Funds should be assured to rehabilitate the transit systems, and urban areas should have the flexibility to expand both its highway and transit systems in the most effective way to provide mobility. I would say the issue is providing mobility—moving people, not moving vehicles.

The Administration's proposal for authorizations begins to talk of flexibility, but it falls far short. I agree something happened to the proposal between the way the administration first made it and the way it wound its way through OMB. The program focuses on an expanded highway system, has different matching ratios to skew decision making, and Lou had the slide up showing that you could get 75 percent for a new highway project, but if you want to build a new rail start, you get 50 percent. And it only provides limited funds on this flexible basis.

The proposal will simply not meet the needs of urban America and will continue to undermine our ability to invest in transit. Large urban areas simply must have the flexibility to invest in transit if we're going to address urban congestion and if we are going to be responsive to your mandates on air quality and, I think, your mandates which should come on energy.

Right now in the San Francisco Bay area, we are not building any new highway projects. That's a result of a Federal judge who said, "You have not met the Federal mandates on air quality, and until you clean your act up, you are simply not going to build new highway projects." We need the flexibility that you can give us in the new authorization so that we can respond to what I'm sure are going to be increasing challenges not only in the Bay area but throughout the country to meet these air quality standards.

We know that you recognize that adequate levels of funding for transit are necessary, and Congress has been in fact the finger in the dike holding the transit funds in place, and we recognize that

you have tremendous demands as you try to meet the needs of the Nation with very severe budget constraints. But putting those funding issues aside, this year you have a once-in-a-generation opportunity to leap forward in developing Federal transportation policy, and this policy can in fact assist transit.

The centerpiece for the Federal Surface Transportation Program for the last 30 years has been the interstate program. That program is complete. Reauthorization now provides you an opportunity to address other pressing needs of urban and rural America.

Thank you, Mr. Chairman.

Mr. BORSKI. Thank you, sir.

Ms. Minteer.

Ms. MINTEER. Mr. Chairman and Congressman Packard, I want to thank you for inviting our agency to testify before you today regarding our experiences with the Urban Mass Transportation Program and the Surface Transportation Assistance Act.

Just by way of introduction, the North San Diego County Transit Development Board was created by California legislation in September 1975, and in its first full year of service the Transit District carried over 4.1 million passengers using a fleet of 50 used buses that were acquired as part of consolidation of municipal systems, and by 1990 the system carried over 10.6 million passengers a year with a modern, fully accessible fleet of 133 buses, all acquired through UMTA grants. We are especially pleased to report that the 15-year ridership increase was achieved while the agency continued to hold costs below the Consumer Price Index in our region.

Today we see public transit emerging as an important component of the Nation's transportation network with much attention focused on the Clean Air Acts at the State and Federal levels. A renewed emphasis has been placed on public transit to help accomplish their goals. To that end, we recently received a Section 3 UMTA grant of $1.3 million for the purchase of seven compressed natural gas buses. We're currently soliciting bids for this procurement and expect to award a contract this May. We feel opportunities such as this provided by the UMTA Program allow our agency and our industry to really be a leader in the clean air strategy, which is a public health and quality of life issue we're all very concerned with.

Our Nation continues to have a high level of dependence on foreign oil, and again, this represents a vital role public transit can play by providing a desirable alternative to the single occupancy vehicle. We feel as transit ridership continues to increase, demands placed on our Nation's fuel supply will be reduced. Within this framework, our industry needs to take maximum advantage of our existing transportation corridors and make the necessary capital and service enhancements to allow these corridors to work more efficiently.

Our Board has been a recipient of UMTA funds since it began operating in 1976, and over the past 15 years we've received Sections 3, 9, 10, and 18, Federal aid to urban area funds. So while we may not be the largest agency to receive UMTA moneys, we have a breadth of experience that we work from.

The STAA created a block grant approach to Section 9 formula funds for each urbanized area, and this approach worked very well

in San Diego because it really focused on regional transportation planning and regional funding decisions. Within our region, there are four separate agencies eligible to receive UMTA funds, and over the past 15 years a high degree of regional coordination and cooperation has been fostered between our Metropolitan Planning Agency, the two Transit Development Boards, and the State Department of Transportation, as well as the operators in our county. We feel by coordinating funding on a regional level, it does allow for the more efficient use of funds.

What we do is look at local, State, and Federal funding, and then we look at our capital plan over the next five years and as a region try and match the best source of funds with the projects, and often times this is based on the timetables and readiness for projects to go forward. An example of this is we do receive Federal Aid to Urban Area funds, which are basically highway funds. In our county, 15 percent of those are mandated for transit projects.

Rather than have each of the four potential recipients of these transit funds receive a sliver of it, what we do is find a single major capital project that would best be suited for the FAU funds, and in this example a decision was made that these would be used for intermodal facilities in our county. To date, these funds have actually gone through and constructed two innovative public transportation facilities—one in Oceanside and one in Escondido—that either currently do or eventually will provide service to both bus and rail modes, as well as private transportation providers such as Greyhound and cab services.

The process outlined above results in a more comprehensive approach to funding and completing projects. The end result is that in a given year an eligible recipient in our region may receive a disproportionate share of available Federal funds; however, we really look at our funding over a 5- to 10-year horizon, and within that larger, broader planning period, there is not only regional equity but we're able to have our projects progress more efficiently and effectively because when they're funded, they're ready to go forward. There's not an accumulation of funds. We feel this approach also fits in well with UMTA's objective to expend funds more efficiently.

Our efforts in our county, we feel, support the STAA proposal to increase formula funds rather than maintain the higher level of discretionary funding programs since formula funds and the block grant programs, once they come to our region, better facilitate that flexibility that I discussed within the region.

We would also prefer to see such funds allocated as is currently done to the urbanized area rather than go through the State. We feel within the regional area we have more control over what happens, and it's just a more direct source of funds. It would take extra time and extra steps for us to receive funds and actually program them and use them if it were to go through the State agency first.

In regard to the reauthorization proposal, we would urge Congress to consider maintaining the Federal operating assistance in the urbanized areas with populations over a million. In California, and specifically San Diego County, sales tax and bond initiatives have been approved, mostly to support rail transportation improve-

ments, and these funds focus almost entirely on capital projects. If the Federal funds coming to our area also focus on these capital improvements, we feel that we may actually be encouraging our operators, our transit providers, to make decisions which take advantage of capital funds instead of exploring potentially less costly operating solutions merely based on the constraints of the funding available.

I think in San Diego specifically, we are considered an urbanized area over a million; however, we have several different transit districts, and our district has a service population of half a million, yet we're constrained by being in an urbanized area of over a million, so we will not continue to receive our Federal operating funds because the metropolitan area has a population over a million.

As we look to the 1990s, we're expecting to capture new ridership markets, including the white collar groups and maybe major employment centers. As we consider these discretionary riders, we need to continue to be a progressive, modern agency providing an attractive alternative to the single occupancy vehicle. To that end, we have two intermodal facilities, with four more under design which will be completed by late May 1992, when our local- and State-funded commuter rail service begins. To date, the development of the service along an existing Amtrak-operated corridor has not used any Federal funds.

As our ridership grows and diversifies, it is incumbent upon us as operators to meet these changing demands by adapting our services to this new market while not losing sight of our mission to provide cost effective alternative transportation to our citizens, and we would encourage the committee to continue to support the various UMTA programs that provide us the regional flexibility we need to best meet these challenges.

Thank you.

Mr. BORSKI. Thank you very much for your testimony.

Mr. Gilstrap, did you have a statement?

Mr. GILSTRAP. I'll happily respond to any questions you may have.

Mr. BORSKI. He sounds like a man with great wisdom.

Mr. Gambaccini, I wanted to ask you a question that I asked Brian Clymer, the Administrator of UMTA, a little earlier, and that is what would happen to SEPTA if the Administration's proposals were to become law? Specifically about the operating assistance.

Mr. GAMBACCINI. Some 10 years ago, 18 percent of our operating budget was covered by Federal assistance. It is now 4 percent. Four percent of our operating budget is $27 million. That's what we got last year and would hope to get this year at a minimum. That would equate to a 15 percent increase across the board in our fares. Those fares went up on average 25 percent in the past year. We have 40 percent of our households without automobiles in Philadelphia, one of the highest concentrations of poor anywhere in the country, we have the highest base fare in the country, and the highest fare box recovery as a percentage of the operating budget in the country.

I submit that we have taxed and pressed the least able to the maximum extent, so it would be a critically onerous burden to further thrust on the city.

Mr. BORSKI. Would anyone else care to comment on that?

Mr. DOWNS. Operating assistance comes as almost a cushion of sorts. The northeast is in an economic downturn, the State's revenues are down, the system is almost totally supported by the State. The impact of the loss of operating assistance on New Jersey Transit would mean either the State's budget picks up an additional $38 million, which in effect is simply passing on a tax or a public expenditure from the Federal Government to the State, or it is an increase in the fare box, and, not unlike SEPTA, New Jersey Transit I think has the second highest fare box recovery ratio in the country and some of the highest fares in the country after having gone through seven fare increases in the last 10 years and now is in the process of losing 6 percent of its ridership from last year.

Mr. GAMBACCINI. Mr. Chairman, may I add to my response?

Mr. BORSKI. Please do.

Mr. GAMBACCINI. Two weeks ago, our system was excoriated by the National Transportation Safety Board because of the accident we had a year ago this week which resulted in four fatalities. The Board found in its judgment that we had inadequate maintenance practices, inspection practices, and training. We acknowledge all of those things. We think they erred significantly in other respects, but by some convoluted conclusion they reached the point where they suggested that further funding be discontinued to SEPTA unless it got its safety act together. This in a context where we have suffered more than a 50 percent decline in funding at the Federal level.

You see the physical condition. I can go through a litany of inadequacies in our operations. We have told the world in the last couple of budgets we are $100 million short to maintain and operate our system to a minimal level of adequacy, safety, reliability, comfort, meeting market demand. We have terrible overcrowding. It seems to me that there's something very, very wrong in this kind of equation and the current scene in terms of policy formulation here.

Mr. BORSKI. Mr. Hein?

Mr. HEIN. I guess I just have to reiterate you cannot take in a region of our size a $27 million hit overnight and expect to sustain the same kind of transit services you have. This is very unevenly spread throughout the region, but San Francisco Muni, for example, has been trying to cut back its operating expenses in response to past Federal reductions in operating assistance and past State reductions in operating assistance, followed a strategy of cutting back some of its maintenance first, and now is paying a very severe price in trying to get the equipment back out on the street. Those are the strategies that operators tend to follow first, and again, that's going to lead us in the direction of the Philadelphia system and we don't want to be there.

Mr. BORSKI. Ms. Minteer, would you care to comment?

Ms. MINTEER. I think I spoke briefly to that earlier, but essentially in California and in San Diego we have recently passed either a sales tax initiative or bond initiatives, and at the time they were

all oriented and focused on the capital funding, and now to go back to our constituents, go back to our citizens and try and seek additional funds to make up this operating loss just doesn't seem feasible. You know, we've already determined what our local and State funds will be used for.

Mr. BORSKI. I want to follow up pretty much on that question. Do any of you see your States or localities being able to come up with the difference if the Federal operating subsidy were dropped?

Mr. HEIN. It's certainly not feasible in California. California recently went through a major election to raise revenues, it is going to bring increased level of revenues for transit, not in the amount to offset the operating assistance. Local jurisdictions have in our region, as they have in other regions of California, raised their sales tax. In many cases it's up to a penny more than the State levels just for transit. So no, I don't see that it's an easy sell at this point to replace $27 million.

Mr. DOWNS. The State's commitment to mass transit in New Jersey is $296 million a year. There isn't anymore right now.

Mr. GAMBACCINI. In Pennsylvania, there has been a substantial increase in State funding. In fact, as the Federal funding has declined, State funding has increased to fill that gap. It's increased 98 percent, so it is up at a $300 million level. However, I think you well know, Mr. Chairman, the State is reporting a $1.6 billion deficit, the city has gotten much publicity around the country—it's hovering on the brink of bankruptcy, it's paying 26 percent interest on short term loans merely to meet the payroll for the next couple of months, it has horrendous other urban problems that are very costly.

I think it is imperative at the Federal level that beyond the mere hollow rhetoric about new Federalism that there be some responsible approach to respective shares and roles of all three levels. In my considered opinion, all three levels have got to do more to maintain and improve public transportation. I expect the State will in fact respond with a dedicated source of funding to deal with the physical aspects of our needed rehabilitation. I see no capacity at State or local at this point to materially increase our operating. So we vitally depend on the Federal component, even though it represents a relatively small share of the total.

Mr. BORSKI. So if the Federal operating subsidy were eliminated as the Administration has proposed, that would all go to the fare box? Is that basically what I'm hearing?

Mr. HEIN. You know, service reductions and fare box are the two ways to go, but my fear is that it's very difficult to cut service, so what gets cut are the things that support service. And if you cut that kind of support and you cut Section 9, which is the underpinning of the capital plant, that's where you're going to see the decline and the deterioration take place. That's what took place in New York, that's what took place in Philadelphia, that took place with the Muni cable car system; everywhere you look where you starve budgets, the result is you starve the capital plant.

Mr. BORSKI. Let me ask this question about the proposal to eliminate all general funding for transit. If we were to go another route, would the gasoline tax be a better way to fund transit? Would it be more dependable? Is the Administration onto something here that

perhaps we should not use general funds but come up with another source?

Mr. HEIN. From the operators' point of view, I believe they're looking at a pig in a poke. They have some general funds now; they see the whole support, as Tom Downs said, eroding to transit. If there was an assurance that there would be an increase in Federal gas tax that would replace the general fund and if there would be assurance that in fact it wasn't a substitution for—I mean, it just wasn't a shell game—and there could be an increase in that Federal gas tax fund for transit, I'm sure that you would get a lot of support from the transit operators, from the regional agencies, and from the States for that kind of a program.

I think looking at what you have to look at with regard to an energy policy, it strikes me very shortsighted not to look at gasoline taxes of a significant amount as a part of that strategy, and part of that allocation clearly needs to be transit.

Mr. BORSKI. Mr. Gilstrap, would you like to comment?

Mr. GILSTRAP. I'm waiting my turn.

Mr. GAMBACCINI. APTA had proposed the gas tax as a vehicle to support the $7 billion and $11 billion figure, and I led the charge last June to try to change the State Constitution, and we came within a whisker of succeeding. We came closer than I would have expected to permit the opening up of the Highway Trust Fund of the State to transit. I think it demonstrated that we have some support that I hope to be able to translate into a meaningful dedicated fund.

The logic, I think, of the gas tax being the principal source of funding is overwhelming. The users—that is, the payees of the gas tax—are significant beneficiaries. Less congested highways, less pressure on air pollution, less pressure on taxes to produce more highways and more parking garages and the like. So there is a compelling argument there. It's in an environment where there are some strong emotions and strong economic forces that oppose intruding further into the gas tax, but I think it is the most equitable source for funding for surface mobility.

We need to shift from thinking in the mechanistic compartments of highway and transit and think about the absolute right of our people to mobility. For those who have autos, and even for those who have autos, the best protection for their continued use of the auto is that as many people as can or will be enticed to use transit do so. That, therefore, improves the function of the use of the auto.

One of the things that I find ironic is that for all the bravado about what a mobile society we are because we have automobiles, we are on a downhill degradation slide. Rates of speed are all declining as congestion builds, and I don't see, despite all the talk about intelligent vehicle highway systems and smart bombs applied to the highway system and the like, any real way that the VMT can be accommodated without substantially worsening congestion and gridlock ahead of us shortly down the road.

Mr. DOWNS. I would only add that I also served as the Commissioner of Transportation for the State, and the commitments that were made by everybody about the last gas tax—the highway industry had, they thought, commitments about the division of that

gas tax. There is nothing about a funding source that can't be broken in terms of a commitment and a promise.

What has happened is that we have locked national resources into modal categories that do not serve the Nation or the localities very well. We decide that the Transportation Trust Fund belongs to highways and a portion of that belongs to transit. I think that Transportation Trust Fund is a trust to the American public about mobility. It is not structured in this day and age to guarantee that local jurisdictions and States can make choices regardless of how those funds are going to be spent.

We have a trust fund; we ought to be able to access it for funding as local jurisdictions see fit and as Clean Air dictates.

Mr. BORSKI. Mr. Packard?

Mr. PACKARD. I'll try to be brief. I think we've gone long enough for the hearing.

Nevertheless, I appreciate your testimony, Ms. Minteer. I thought it was a breath of fresh air to hear of some of the things that you're doing in your district that are rather innovative, particularly as you use private transportation opportunities in conjunction with your public commitment and, of course, also the use of local and State funds.

What portion of your transit budget is from Federal sources, approximately?

Ms. MINTEER. The operating budget?

Mr. PACKARD. Yes.

Ms. MINTEER. I think now it's about 17 percent of our operating.

Mr. PACKARD. About 17 percent. And, of course, if that was withdrawn from your budget it would virtually eliminate——

Ms. MINTEER. It would cripple us. Absolutely.

Mr. PACKARD. You brought up an interesting point, and I'd like to pursue it briefly. Local and State sources are often following the track of providing capital support and assistance. I know in San Diego County a couple of years ago we passed a proposition that imposed a half-cent sales tax, with a third of that revenue going to the local cities and their road system and a third of it going to county and State systems and a third of it going to mass transit, which was interesting and probably the only way that such a proposition would pass. Those are earmarked, as you say, primarily for capital improvement within transit.

If the Federal Government moves to reduce support, Federal aid, would you prefer it to be in capital areas, then? Would it hurt you the most if the operating assistance is withheld or would it hurt you most if capital were withheld, recognizing that you have other options on capital now?

Ms. MINTEER. That's the rock-and-a-hard-place kind of question, isn't it?

Mr. PACKARD. It's an awful dilemma.

Ms. MINTEER. But you're correct. The one-third transit funds that were approved through the sales tax, 80 percent of that had to be used for capital projects and the remaining 20 percent for operating, but the 20 percent was really focused on the expansion of transit service and not as a replacement to any loss of other revenues. It was assumed that we would maintain the other operating support we currently have.

Nonetheless, I think as a region we may prefer to see the matching ratio slightly reduced—or I should say the Federal share slightly reduced—and have the local agencies come up with a slightly higher share for capital projects and fully maintain the operating funds that we currently have.

Mr. PACKARD. You have better options——

Ms. MINTEER. That's correct. We have, at least, a bigger variety of resources we can go to.

Mr. PACKARD. You've done some rather unique and, I think, very commendable work in trying to meet the air quality standards. You're purchasing seven CNG buses now. Do you have other purchase plans or options that you're looking at in terms of trying to meet air quality standards and improve the environmental problems relative to our busing systems?

Ms. MINTEER. Within the region—and we're working on a full air quality strategy—we are in a non-attainment area, but we're currently working with the Air Pollution Control District to devise certain types of tactics and everything. One of the considerations is actually, as we begin replacing our existing fleet of buses, to convert over to these alternative fuel sources. Again, this plan is being evolved now, so it would be difficult to discuss any specific action.

Mr. PACKARD. How much of your revenues now come from the fare box?

Ms. MINTEER. It's close to 30 percent.

Mr. PACKARD. Is that about average for most transit districts throughout the country?

Ms. MINTEER. Yes, especially as a suburban kind.

Mr. PACKARD. And that 30 percent is almost all used for operating?

Ms. MINTEER. That's correct.

Mr. PACKARD. I think it's clear, Mr. Chairman, that one of the big issues for the transit operators themselves is the proposed loss of operating assistance. I think they sense that they don't have very many sources to go to, and even going to the people for a vote, people generally at the local level resist funding and voting for operational capital. They just seem to do that at the local level. They expect that to be done at the Federal level and at other levels.

Mr. Gilstrap, do you wish to comment?

Mr. GILSTRAP. I just wanted to—I finally found something I wanted to comment on.

You broached the subject of clean air and the energy issue here, and it is an interesting ironic twist in the Administration's proposal. It rewards those areas on the highway side based on their consumption of gasoline, so that the more gasoline that's burned, the more Federal funds you get. At the same time, to add insult to injury, those areas that are being the most energy efficient by putting people on the mass transit systems in the areas with the worst air pollution, they cut their operating assistance.

Mr. PACKARD. That's interesting.

Thank you, Mr. Chairman.

Mr. BORSKI. Mr. Anderson?

Mr. ANDERSON. Thank you, Mr. Chairman.

The importance of operating assistance is, I think, apparent to all of us—all, that is, I suppose, except the Administration. They feel that an increase in capital assistance can offset the elimination of operating assistance to communities with over one million population. How big of an increase in the Federal capital program do you think your systems would want to see before you could swallow that as a trade-off for the elimination of operating assistance?

Mr. GAMBACCINI. I think it's pretty evident that with the cuts of the last 10 years, the superimposition of mandates like ADA, Clean Air, and the like, that at a minimum we should be at a level of $7 billion to $10 billion before we should be expected to absorb that kind of new burden.

If we had two to three times the level of capital flow, yes, we could absorb that. We're experiencing through the failure of dealing with our capital problem beyond the mandates and beyond having to absorb the cuts a growing and rapidly rising maintenance requirement because of the crumbling facilities, but you can't hit us in every single direction, and I would submit unequivocally that the Administration rhetoric is totally empty with respect to what this authorization bill does.

I support Tom Downs' comments about how cynical it is because it's using up the balance of the trust fund and using as the excuse that the level remains the same or that by reapplying the operating money to capital that there is an increase in capital. The bottom line in every case that I know of of a city over a million is a substantial bottom-line reduction in support.

Mr. ANDERSON. I've been talking about intermodalism for many years now, and I'm pleased to see the attention that this concept is now getting. Chairman Roe in particular is to be credited for helping to focus the spotlight on intermodalism.

I would ask this of our panel: What are your systems doing to help further intermodal transportation in your communities? Are you serving airports, rail stations, and intercity bus terminals?

Mr. HEIN. I'd like to answer that in two different ways. The first is to say yes, we are trying to serve these intermodal needs, both our ports and our airports in connecting them to our highways and our transit systems. We have a major project which is to extent BART to the San Francisco Airport. That project will be hopefully an UMTA Section 3 Project, which is the linchpin of the entire rail expansion program in our region.

We are locally funding all the other programs in order to concentrate the Federal aid onto that one project. However, as you know, because the Federal Government uses the alternative analysis as the way to meter money, we have to go through an extraordinary set of criteria and hoops in order to justify this project for Federal funding. Obviously, if we chose to build a road to that airport, we wouldn't have to go through the same hoops. So we don't have a level playing field when it starts out with the regulations that apply to these modes.

Now, the second way I'd like to answer it is by saying that I believe that you should direct——

Mr. ANDERSON. You said you wouldn't have to go to Santa Cruz. What do you mean by that? You said you wouldn't have to go to——

Mr. HEIN. Oh, we wouldn't have to go through the same hoops.

Mr. ANDERSON. Oh, I see. I thought you said Santa Cruz.

Mr. HEIN. I'd like to go to Santa Cruz, too. [Laughter.]

Mr. ANDERSON. My granddaughter goes to Santa Cruz—she's a junior—so it's important to me.

Mr. HEIN. Both of my daughters went to Santa Cruz, so it's important to me, too. [Laughter.]

The next way I'd like to answer that question is by saying that what the Federal reauthorization should really do is point to urban and rural programs and make them the focus for your reauthorization, not make this mythical highway system the focus for your reauthorization. If you had a metropolitan program with funds dedicated to metropolitan areas and the requirement on those metropolitan areas to develop a plan based on some metropolitan system which would include all the intermodal connections, would include your major highway facilities, and would include your major transit systems, then we would be able to make those kinds of trade-offs and be able to provide and assure access to our ports and our airports. We'd be able to assure that by highway and by transit because we would have then the ability to make the trade-offs.

Instead, now what we're going to be forced on doing is identifying some way—some mythical 150,000-mile system—in our region that may or may not have any relevance to the kind of problems our regions are trying to face.

So my recommendation would be very strongly that in your reauthorization you direct each metropolitan area to develop a plan which ensures intermodal connections, develops a metropolitan transportation system for those regions.

Mr. ANDERSON. Thank you, Mr. Chairman.

[Mr. Gambaccini's prepared statement appears on page 85.]

[Mr. Down's prepared statement appears on page 72.]

[Mr. Hein's prepared statement appears on page 121.]

[Ms. Minteer's prepared statement appears on page 160.]

Mr. BORSKI. I understand that some of you have planes, trains, and buses—instead of automobiles—to catch, I'm sure. I do want to thank you very much for coming here and for staying with us through the lateness of the hour.

I observed at the beginning of the hearing that we had some of the most talented people in the mass transit industry here with us today. I want to thank you for coming, for sharing your thoughts and insights with us.

This hearing stands adjourned.

[Whereupon, at 6:03 p.m., the subcommittee adjourned, to reconvene at the call of the Chair.]

PREPARED STATEMENTS OF WITNESSES

STATEMENT OF BRIAN W. CLYMER
ADMINISTRATOR
URBAN MASS TRANSPORTATION ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
U.S. HOUSE OF REPRESENTATIVES
CONCERNING AN
EXAMINATION OF FEDERAL MASS TRANSPORTATION PROGRAMS
MARCH 5, 1991

Mr. Chairman and Members of the Subcommittee:

My name is Brian W. Clymer. I am the Administrator of the Urban Mass Transportation Administration (UMTA), an agency of the United States Department of Transportation (DOT). I am pleased to have this opportunity to appear before you today to discuss the Federal government's mass transit policies and the Administration's proposal for reauthorization of the Federal mass transit programs.

HISTORICAL OVERVIEW

Previous reports to Congress (under Section 308) have recounted the long term decline in the demand for public transit dating from the 1920's, interrupted by rationing of gasoline and tires during World War II, and continuing unabated until the energy crises of the 1970's. Evidence was presented the main factors which consistently eroded the demand for conventional transit services: economic prosperity that fostered private automobile ownership, and increased suburbanization caused by a

desire for single family housing. During this period, transit was slow to adapt to land use and lifestyle changes. Since 1980, mass transit trips have remained fairly constant at approximately 8 billion annually. Nationally, only 5 percent of the population uses mass transit, but in the largest urban areas, usage can still range from 50 to 90 percent.

Between 1970 and 1980, local transit costs were increasing at roughly twice the rate of inflation, and issues were raised about the Federal role in subsidizing those costs. Discussion showed that subsidization of public transportation is relatively ineffective in improving vehicle occupancy rates. This is due largely to the perceived inconvenience of public transit, free or low cost employer sponsored parking, and the absence of highway pricing that correlates to the cost of highway use during peak hours.

In response, the 1982 Surface Transportation Assistance Act (STAA) put a cap on Federal operating assistance which has encouraged better management by transit operators and has contributed to the relative stability of operating expenses since 1985. The reauthorization proposal would further encourage this trend by redirecting Federal funds used for operating assistance in large urban areas to capital needs. Also, Federal initiatives for private sector involvement have offered creative and cost effective alternatives to local officials by introducing competition into a restricted market. Finally, aggressive project

management oversight efforts were instituted to insure that Federal funds were utilized judiciously.

THE FEDERAL ROLE IN MASS TRANSIT

The Urban Mass Transportation Administration, or UMTA (proposed to be renamed the Mass Transportation Administration), is the principal source of Federal financial assistance for public mass transportation in the nation. Since its beginning in 1964, UMTA has provided $59.6 billion in funding to public transit systems throughout the nation. Each year, UMTA provides funds to about 450 urban mass transit systems using UMTA's formula and discretionary grant programs. In addition, UMTA provides funding to non-urban rural communities through a series of programs administered through the States.

The mission of UMTA is to provide assistance to State and local governments in the planning and provision of public mass transit in urban, suburban, and rural areas. We do this through a combination of formula and discretionary grants to State and local agencies. The reauthorization proposal we recently submitted to Congress continues to utilize this basic framework.

Within the current basic structure of the program, our reauthorization proposal addresses the need for a more stable and predictable Federal funding source upon which local transit authorities can base investment decisions by proposing that 80

percent of the annual UMTA budget be distributed by formula, versus the current 58 percent. In addition, we are proposing that the UMTA program be funded entirely from the Mass Transit Account of the Highway Trust Fund, versus the current 43 percent. Only Washington Metro funds would be excluded, per the recent reauthorization of that program.

The transit component of the Trust Fund can support the proposed program level, averaging $3.3 billion per year over the five-year reauthorization. This funding level will substantially reduce the present uncommitted cash balance in the Mass Transit Account by FY 1996. We think this is a fiscally prudent way to maximize use of the Mass Transit Account trust fund resources.

PROGRAM FLEXIBILITY

We believe recipients of UMTA funds should have increased flexibility to assist them in developing the most efficient and cost effective local transportation systems. For example, local authorities should have the ability to apply Federal funds where they can be most effective, based on local priorities. In this connection, under the reauthorization proposal, certain funds under the highway and transit programs could be used for any transit or highway capital project provided that in order to use Federal transit funds for highway projects, either the source of the local share for such projects could fund either highway or transit projects, or there must be a sufficient, dedicated source

of transit funds at the State or local level. This "balanced approach" will allow local authorities to make their decisions based on local needs rather than on the basis of available funds. In addition, Governors will have the flexibility to shift funds as needed among three transit programs: the Section 9 formula program for small urban areas, the Section 18 rural program, and the Section 16(b)(2) elderly and handicapped program.

Our proposal makes a significant part of the highway program eligible to fund transit capital projects. All of the Urban and Rural Program (URP) - nearly $4 billion annually - can be used to fund transit projects. In addition, States can transfer up to 15 percent of their National Highway System funds - over $1 billion - to the URP. Thus, a total of $5 billion in highway funds could be used for transit, or about one-third of the program. Currently, only $750 million in Urban System funds can be used for transit. Finally, the Metropolitan and Rural Innovation Bonus Projects Program provides for a jointly funded effort to find innovative highway and transit projects designed to reduce congestion, improve air quality, and enhance rural development.

This is the first time that intermodal usage of both programs will be experienced on a level playing field with respect to Federal/local matching shares. While we cannot predict to what extent it will be taken advantage of, we think it is a most exciting and promising feature of the proposed legislation.

DISTRIBUTION OF FEDERAL DOLLARS

As I indicated in some of my earlier remarks about UMTA's reauthorization, we are proposing a substantial increase in the distribution of formula funds. These funds are apportioned to urbanized areas on the basis of an existing statutory formula based on population, population density, and bus and rail miles travelled in each area. This permits local authorities to make decisions based on a predictable funding source. At the same time, however, our bill preserves the discretionary new starts program, and funds would specifically be available for those projects which are cost effective and have sufficient local resources to construct and operate the system, as well as make use of innovative financing mechanisms to lower construction and operating costs.

CAPITAL TRANSIT NEEDS

Section 308 of the UMT Act requires the Secretary to provide Congress with a biennial report on the condition, performance and needs of local public transportation systems and their investment requirements. The current Section 308 report estimates funding of $3.0 - $3.7 billion annually to maintain the current level of transit services. This estimate is based on vehicle replacement cycles, historical investment in support facilities and other factors. One important component of the transit needs estimate is the Rail Modernization Study, an intensive engineering-based

analysis commissioned by Congress and published in 1987. In the years to come, the Department intends to conduct periodic inventories and condition studies of transit infrastructure to provide a more systematic data base for investment planning.

COMPARISON OF HIGHWAY AND TRANSIT FUNDING

The funding levels for the highway and transit programs were determined based on an assessment of needs. Recognizing that needs vary by State, we have made funds under both programs available either for highway or for transit projects. This means that State and local governments - those who have the clearest understanding of their needs - ultimately will decide the levels of Federal funding for highways and transit. Excluding funding for the National Highway System, which has clear national significance, an average of $5 billion in highway program funds, and $2.9 billion in transit funds would be available for either highways or transit each year.

FEDERAL SHARE

In the last decade State and local governments have established that they have the political will and financial ability to increase their support for public transit. In 1990, States contributed $4.8 billion in direct and indirect funding for public transportation, an increase of 37 percent over the 1984 State amount of $3.5 billion (using constant 1990 dollars). As a

result of our recent "over-match initiative," many grantees have already increased the proportion of local capital investment they are making. This is certainly true for New Starts.

Additional local match, especially when combined with private investment, will help ensure more prudent project design and control. With the Federal government funding at the 75 or 80 percent level, there is less incentive for local cost control or innovation. Moreover, the assurance of a stable and predictable Federal resource for a five year period should enhance a grantee's ability to secure additional local matching funds. The increased flexibility in the use of highway and transit funds also should result in the increased flexibility of local matching funds. For example, State and local dedicated highway funds could be made more flexible and used to match Federal transit funds for transit projects. In this connection, the matching ratio of the highway and transit funding sources will be parallel, thus allowing local decisions on which projects to build to be free from any biases caused by Federal funding requirements.

OPERATING ASSISTANCE

We believe that operating assistance generally is best left to State and local governments since it is at the local level that fare, service, labor costs and other budget and revenue issues are determined. The emphasis of the Administration proposal is on transit capital investment.

Under the reauthorization proposal, for cities with a population over 1 million, Federal funds which would have been used for operating subsidies now will be redirected to capital. In these large cities, Federal operating subsidies are a very small percentage of total operating costs, and these same cities will be getting an increase in formula funding, particularly those with rail systems. This increase in capital funding should provide those cities with an ability to meet their capital needs, allowing them to direct local funding to operating costs.

The share of the budget that Federal operating assistance represents in these areas has been declining in recent years. In some places, the amount is less than a year's worth of inflation. For example, for the New York City Transit Authority, Federal operating assistance in 1989 amounted to 2.3 percent of total operating revenues; in Boston, it was 3.4 percent, and in San Francisco it was 3.2 percent. These areas can make fairly small adjustments in service levels or fares to recover the difference. And, they can continue their successful recent efforts to control costs.

Areas under 1 million in population are much more dependent on Federal government support for purchases of materials and supplies. For this reason, we are expanding the definition of "associated capital maintenance items," to include all materials and supplies for these areas. In addition, these areas are

eligible for operating expenses up to their FY 1991 operating assistance cap if associated capital maintenance expenses fall short of this amount. In short, assistance for associated capital maintenance items and operating assistance for these areas, as well as operating assistance under the Section 18 program, will be at least equal to their Fiscal Year 1991 operating assistance levels.

RURAL MOBILITY

We are especially cognizant of the mobility needs of people living in rural and small urban areas. As the population of these areas ages, mobility will become an even greater concern. While the dollar amounts of our rural programs may be small compared to the money spent on public transportation in large urban areas, rural public transportation is a very important part of our program.

Since its inception in FY 1979, the Section 18 program has grown to include over 1100 local providers of transportation, more than a tenfold increase over the hundred or so demonstration projects funded under its predecessor program. These rural providers have gained a well earned reputation for creativity and resourcefulness by managing their limited budgets effectively.

In recognition of the program's growth and of the impact of inflation on the cost of providing transportation, we are

proposing a significant increase in Section 18 funding in FY 1992 to $89 million, $24 million over the funding level in recent years. The additional funds can be used to address capital needs. Operating assistance, as I have already discussed, will be capped at the FY 1991 apportionment level.

We are also proposing several changes to increase the flexibility of the program and provide additional potential sources of funding. States will be able to use URP highway funds for public transportation. In addition Section 16(b) and Section 18 program funds will be interchangeable, resulting in increased flexibility for both programs. States will continue to be able to transfer funds between the governor's apportionment for Section 9 and Section 18, an authority they have used extensively to the benefit of rural areas in recent years.

Another important resource for rural capital needs has been the Section 3 program. The discretionary use of Section 3 funds for rural projects has increased in recent years. In FY 1990, $14.9 million, or 8% of the Section 3 bus and bus related obligations, went for rural capital needs. We have encouraged rural areas seeking Section 3 funding to present a consolidated statewide application. While we think the increase we are proposing in capital for Section 18 will meet many of these Section 3 demands, innovative rural projects will be eligible under the Metropolitan and Rural Incentive Bonus Project Program.

TRANSPORTATION FINANCING: PUBLIC-PRIVATE PARTNERSHIPS

The private sector can play a valuable role in making our transportation systems as productive as possible. Along with their additional investment dollars, the private sector can be an important source of competition and efficiencies. UMTA's reauthorization will call for increases in local matching shares, which is all the more reason for local decisionmakers to leverage as much as they can from non-Federal sources. This means not just substituting State and local dollars for Federal dollars, but substantially increasing private sector investment as well.

I would like to call the Committee's attention to a current initiative that is not legislative but that does deal with the development of important financing techniques which can benefit some grantees. It is the cross-border lease, which involves foreign investors utilizing a sale - leaseback arrangement for transit vehicles. A grantee recently saved $2.5 million on a $50 million UMTA funded vehicle purchase transaction. In addition, there are other related innovative financing techniques we are encouraging our grantees to consider.

Also, UMTA will continue to require that grantees consider private sector participation to the maximum extent feasible. We have no interest, or intention, of second-guessing local decisionmakers - after they have given meaningful consideration to

each option - when it comes to making the call on whether to use public or private sources.

NEW TECHNOLOGIES

The transit research program needs to be strengthened. As part of the reauthorization, we are proposing an expanded and coordinating Transit Planning and Research Program. This new structure will provide for an increase in emphasis and funding for research and development. An amount equal to 2.8% of the total UMTA appropriation will be set aside within the Mass Transit Fund to support this program. For FY 1992 this will represent $93.2 million.

We believe that the Federal Government must invest in research and planning to provide a more stable, cost-effective environment that will stimulate increased private sector investments and economic growth. To yield maximum benefits from our transit investment dollars, planning and research must be a more prominent element of the UMTA Program with a consistent source of funding.

The TPR Program has two major components: A national component and a State and local component. The national TPR program is proposed to advance Federal objectives, to help resolve problems of national concern and to initiate a new emphasis on technology development. One-third of the total resource will

support this component. The State and local programs will support existing planning activities as well as implement a new Transit Cooperative Research Program designed to address the transit industry's short-term needs. Two-thirds of the total resource will support this component. The emphasis in both components is research, planning, demonstration and training.

IMPACT OF CLEAN AIR AND AMERICANS WITH DISABILITIES ACTS

UMTA's reauthorization proposal is designed to facilitate implementation of the Clean Air Act Amendments and the Americans with Disabilities Act, both through the increased funding available under the formula program, as well as under the discretionary program, where $50 million in funds would be available for these and other purposes. The National Transit Planning and Research Program will also lend support to clean air efforts through advocacy of measures to encourage the use of mass transit and high occupancy vehicles.

In addition to assisting the transit industry meet the new emission standards required under the Clean Air Act, we will continue to sponsor alternative fuel bus demonstration projects such as clean diesel engine systems, and the fuel cell/battery bus program. Efforts to evaluate the large scale deployment of some of the alternative fuel vehicles already under demonstration will be initiated. One other program is the Intelligent Vehicle Highway Systems that would apply electronic technologies and

advances in computer and information systems in urban transportation to relieve traffic congestion, improve the efficiency of HOV lanes, and the overall management of transit. The results of these efforts will be more efficient use of fuel and improvements in air quality.

IMPROVING THE QUALITY OF PUBLIC TRANSIT

The most important quality of transit service is reliability: the assurance that a safe, clean and comfortable vehicle with a courteous driver arrives on time every day. Reliability is based on highly motivated and self-disciplined workers, well-maintained and modern facilities and equipment, and strong self-confident management. From the Federal perspective, stable and reliable funding can contribute a great deal to the quality of the workforce, the health of capital equipment and the strength of system management. The reauthorization proposal intends to create that kind of stable funding for local transit.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions you or other Members of the Subcommittee may have.

TESTIMONY OF

THOMAS M. DOWNS

COMMISSIONER OF TRANSPORTATION, STATE OF NEW JERSEY

CHAIRMAN, NJ TRANSIT BOARD OF DIRECTORS

BEFORE THE SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT

OF THE HOUSE PUBLIC WORKS COMMITTEE

MARCH 5, 1991

THANK YOU, MR. CHAIRMAN, I APPRECIATE THIS OPPORTUNITY TO TESTIFY BEFORE THE SUBCOMMITTEE. AS BOTH COMMISSIONER OF TRANSPORTATION FOR NEW JERSEY AND AS CHAIRMAN OF THE NJ TRANSIT BOARD OF DIRECTORS, I FULLY SUPPORT THE NEED FOR A BALANCED TRANSPORTATION SYSTEM - ONE THAT MAXIMIZES MASS TRANSPORTATION USAGE, AND ENSURES SUFFICIENT HIGHWAY CAPACITY FOR THOSE WHO MUST DRIVE AND FOR THE MOVEMENT OF GOODS.

NJ TRANSIT IS THE STATEWIDE PUBLIC TRANSPORTATION AGENCY PROVIDING COMMUTER RAIL, COMMUTER BUS, LOCAL BUS AND LIGHT RAIL SERVICE TO NEARLY 600,000 DAILY RIDERS. NJ TRANSIT ALSO PROVIDES CAPITAL ASSISTANCE TO OVER 100 PRIVATE BUS OPERATORS AND PROVIDES BOTH CAPITAL AND OPERATING ASSISTANCE TO COUNTY AND NON-PROFIT AGENCIES FOR THE PROVISION OF PARATRANSIT SERVICE. AS YOU CAN SEE, NJ TRANSIT IS ONE OF THE MOST DIVERSIFIED MASS TRANSPORTATION AGENCIES IN THE NATION.

IT SEEMS LIKE ONLY YESTERDAY WHEN FORMER SECRETARY OF TRANSPORTATION NEIL GOLDSCHMIDT STATED THAT "THE ADMINISTRATION'S BILL IS DESIGNED TO BRING THE NATION'S TRANSIT PROGRAMS INTO CONFORMANCE WITH THE NEW REALITIES, TO MEET OR EXCEED THE PRESIDENT'S GOAL OF INCREASING TRANSIT CAPACITY BY 50 PERCENT IN THIS DECADE, AND, ABOVE ALL ELSE, TO USE TRANSIT AS A MAJOR TOOL IN OUR ENERGY CONSERVATION EFFORT." OTHERS, INCLUDING THE EPA, TESTIFIED CONCERNING THE CRITICAL ROLE MASS TRANSPORTATION MUST PLAY IN ACHIEVING AIR QUALITY OBJECTIVES. THE CARTER

ADMINISTRATION PROPOSED TO SPEND OVER $4 BILLION ANNUALLY TO MEET THE MASS TRANSPORTATION NEEDS OF THE NATION.

ELEVEN YEARS AGO WE RECOGNIZED THE CRITICAL ROLE MASS TRANSPORTATION WOULD PLAY IN ACHIEVING NATIONAL ENERGY AND ENVIRONMENTAL OBJECTIVES. REGRETFULLY, OVER THE PAST DECADE FEDERAL INVESTMENTS HAVE NOT ENABLED MASS TRANSPORTATION TO HELP MEET THE MOBILITY NEEDS OF THIS NATION. IN FACT, INSTEAD OF INCREASED FUNDING, FEDERAL MASS TRANSPORTATION PROGRAMS HAVE BEEN SEVERELY CURTAILED. BETWEEN 1981 AND 1991 MASS TRANSPORTATION FUNDING DECLINED 28 PERCENT. ADJUSTED FOR INFLATION, MASS TRANSPORTATION FUNDS DECLINED 52 PERCENT. SINCE 1981, THE FEDERAL MASS TRANSPORTATION INVESTMENT HAS DECLINED FROM APPROXIMATELY 20 PERCENT OF ALL FEDERAL TRANSPORTATION INVESTMENTS TO 10 PERCENT OF ALL FEDERAL TRANSPORTATION INVESTMENTS. DURING THE SAME TIME PERIOD FEDERAL HIGHWAY FUNDING INCREASED FROM 39 PERCENT OF TOTAL FEDERAL TRANSPORTATION FUNDING TO 47 PERCENT.

THE BOTTOM LINE IMPACT OF THE PAST DECADE'S FEDERAL TRANSPORTATION POLICY IS INCREASED TRAFFIC CONGESTION, POLLUTION AND ENERGY USE.

LOU GAMBACCINI HAS PRESENTED THE RESULTS OF THIS POLICY ON A NATIONAL SCALE. IN NEW JERSEY, WHERE VEHICLE MILES TRAVELLED INCREASED BY OVER 10 PERCENT FROM 1980-1987, INCREASED TRAFFIC CONGESTION HAS HAD A DIRECT IMPACT ON THE STATE'S ECONOMY. OBVIOUSLY, AS HIGHWAYS BECOME MORE CONGESTED, GOODS MOVEMENT AND

TRAVEL ESSENTIAL TO COMMERCE IS IMPEDED. THE RESULTING DELAYS COST NEW JERSEY MILLIONS OF DOLLARS IN LOST PRODUCTIVITY AND HIGHER PRICES. THE TRAFFIC DELAYS AND ADDITIONAL COSTS EXPERIENCED IN NEW JERSEY ARE BEGINNING TO SPREAD TO THE REST OF THE NATION AS WELL.

FEDERAL TRANSPORTATION POLICY OVER THE PAST 10 YEARS ALSO UNDERMINED THE COUNTRY'S CLEAN AIR OBJECTIVES. ALTHOUGH OVER THE PAST DECADE TAIL PIPE EMISSIONS WERE REDUCED SIGNIFICANTLY, AIR POLLUTION CONTINUES TO PLAGUE EVERY MAJOR METROPOLITAN AREA OF THE NATION. NO STATE HAS SUFFERED MORE FROM THIS FAILURE TO LINK FEDERAL TRANSPORTATION AND CLEAN AIR OBJECTIVES THAN HAS NEW JERSEY. THE ENTIRE STATE OF NEW JERSEY CONTINUES TO BE IN NON-ATTAINMENT LARGELY BECAUSE OF THE GROWTH IN VEHICLE MILES TRAVELLED. THE LARGEST SOURCE OF AIR POLLUTION IN MOST NON-ATTAINMENT AREAS, INCLUDING NEW JERSEY, IS THE SINGLE OCCUPANT VEHICLE. THE FAILURE OF THE FIRST CLEAN AIR ACT CAN BE LARGELY ATTRIBUTED TO FEDERAL TRANSPORTATION POLICY THAT EMPHASIZED HIGHWAY CAPACITY OVER MASS TRANSIT USAGE.

THE FEDERAL DISINVESTMENT IN MASS TRANSPORTATION OVER THE PAST DECADE ALSO WREAKED HAVOC ON THE NATION'S ENERGY OBJECTIVES. IT IS STARTLING TO REALIZE THAT THE ONLY SECTOR TO INCREASE ENERGY CONSUMPTION IN THE 1980'S WAS THE TRANSPORTATION SECTOR. DURING THE 1980'S, THE TRANSPORTATION SECTOR INCREASED ENERGY CONSUMPTION BY OVER 8 PERCENT. THIS OCCURRED AT A TIME WHEN THE INDUSTRIAL SECTOR REDUCED CONSUMPTION BY 20 PERCENT, THE RESIDENTIAL AND

COMMERCIAL SECTOR BY 19 PERCENT AND ELECTRIC UTILITIES BY ALMOST 49 PERCENT. THE SURFACE TRANSPORTATION SECTOR ACCOUNTS FOR 51 PERCENT OF U.S. OIL CONSUMPTION.

THE PAST TEN YEARS HAVE BEEN A PERIOD OF LOST OPPORTUNITY, AND WE ARE WORSE OFF TODAY BECAUSE OF THAT LOST OPPORTUNITY. OUR HIGHWAYS ARE MORE CONGESTED, OUR AIR MORE POLLUTED, AND OUR DEPENDENCE ON FOREIGN OIL GREATER THAN EVER. IT IS TOO LATE TO RECTIFY THE MISTAKES OF THE 1980'S. RATHER WE MUST PLAN PROPERLY IN THE 1990'S TO ENSURE THAT AMERICA ENTERS THE NEXT CENTURY ECONOMICALLY VIBRANT, ENVIRONMENTALLY SAFE AND ENERGY INDEPENDENT. I AM AFRAID, HOWEVER, THAT WE ARE ALREADY HEADING DOWN THE WRONG PATH.

THE ADMINISTRATION'S FY 1992 BUDGET PROPOSAL CALLS FOR AN APPROXIMATE 25 PERCENT REDUCTION IN ACTUAL EXPENDITURES FOR MASS TRANSPORTATION. THE ADMINISTRATION'S PROPOSAL WOULD ACTUALLY REDUCE THE ACTUAL DOLLARS SPENT ON MASS TRANSPORTATION SERVICES BELOW THE LEVEL SPENT IN FISCAL YEAR 1991, AND WOULD NOT RESTORE TRANSIT OUTLAY EXPENDITURES TO THE FY 1991 LEVEL AT ANY POINT OVER THE NEXT FIVE YEARS.

THE BUDGET RECONCILIATION ACT MAKES IT ESSENTIAL THAT MASS TRANSIT OUTLAY EXPENDITURES BE, AT A MINIMUM MAINTAINED AT THE FY 1991 LEVEL. IN FACT, IF MASS TRANSIT IS TO GET IT'S FAIR SHARE, OUTLAY EXPENDITURES SHOULD BE ALLOWED TO GROW AT THE RATE OF INFLATION, AND FURTHER INCREASED TO ACCOMMODATE GROWTH IN MASS TRANSIT

PROGRAMS ATTRIBUTABLE TO THE ADDITIONAL ONE-HALF CENT GAS TAX DEDICATED TO MASS TRANSPORTATION. INSTEAD, IT APPEARS AS IF THE ADMINISTRATION IS ROBBING TRANSIT TO FUND THE NEEDS OF OTHER WORTHWHILE DOMESTIC PROGRAMS. BY REDUCING TRANSIT OUTLAYS, THE ADMINISTRATION IS ABLE TO DISTRIBUTE THESE OUTLAYS TO OTHER PROGRAMS. THE NEEDS OF OTHER DOMESTIC PROGRAMS SHOULD NOT BE FUNDED ON THE BACK OF THE MASS TRANSPORTATION PROGRAM.

THE ELIMINATION OF ALL GENERAL FUNDS FOR MASS TRANSPORTATION PROGRAMS IS ANOTHER EXAMPLE OF FUNDING OTHER DOMESTIC PROGRAMS AT THE EXPENSE OF MASS TRANSPORTATION. THE ADMINISTRATION'S BUDGET AND REAUTHORIZATION PROPOSALS WOULD ELIMINATE ALL GENERAL FUND SUPPORT FOR MASS TRANSPORTATION. INSTEAD, THE ADMINISTRATION PROPOSES TO FUND MASS TRANSIT SOLELY OUT OF THE MASS TRANSIT ACCOUNT OF THE HIGHWAY TRUST FUND, RELYING ON CURRENT SURPLUSES TO MAINTAIN A STATUS QUO FUNDING APPROACH.

THERE ARE TWO PROBLEMS WITH THIS APPROACH. THE ELIMINATION OF GENERAL FUNDS COMPLETELY NEGATES ANY BENEFITS MASS TRANSIT GAINED BY EITHER THE 1990 GAS TAX INCREASE OR THE 1982 GAS TAX INCREASE THAT FIRST DEDICATED A PENNY FOR TRANSIT. PRIOR TO ANY MOTOR FUEL TAX DEDICATION, MASS TRANSIT FUNDING WAS APPROXIMATELY $4.6 BILLION. IN 1992, FUNDING IS PROPOSED AT $3.3 BILLION. HOW CAN ONE JUSTIFY A $1.3 BILLION REDUCTION IN TRANSIT FUNDING AFTER RAISING ALMOST $2 BILLION IN MOTOR FUEL TAX REVENUES FROM THE 1982 AND 1990 TAX INCREASES?

MORE IMPORTANTLY, SOLE RELIANCE ON THE TRUST FUND CRIPPLES THE NATION'S ABILITY TO MEET THE NATION'S LONG TERM MASS TRANSPORTATION NEEDS. UNDER THE ADMINISTRATION'S PROPOSAL, BY FISCAL YEAR 1996, ALL SURPLUSES IN THE MASS TRANSPORTATION ACCOUNT WILL BE DRAWN DOWN, ALL GENERAL FUNDS ELIMINATED, AND THE HALF-CENT 1990 MOTOR FUELS TAX REPEALED. THE NET RESULT IS THAT IN FISCAL YEAR 1997 ONLY ONE BILLION DOLLARS IN MASS TRANSIT FUNDING FROM THE DEDICATION OF ONE CENT OF THE MOTOR FUELS TAX IN 1982 WILL BE AVAILABLE FOR MASS TRANSPORTATION PROGRAMS. BY 1997, 70 PERCENT OF MASS TRANSPORTATION FUNDING, COMPARED TO THE CURRENT LEVEL WILL BE ELIMINATED.

THE ADMINISTRATION'S PROPOSAL ALSO ELIMINATES OPERATING ASSISTANCE TO LARGE URBANIZED AREAS AT A TIME WHEN STATE AND LOCAL GOVERNMENTS HAVE ALREADY COMMITTED TO SIGNIFICANT INCREASES IN FUNDING. FOR NJ TRANSIT, THIS RESULTS IN A $35 MILLION REDUCTION IN ASSISTANCE AT A TIME WHEN THE STATE HAS ALREADY PROVIDED SIGNIFICANT INCREASES FOR MASS TRANSPORTATION. A 16 PERCENT FARE INCREASE WOULD BE REQUIRED TO OFFSET THE LOSS IN FEDERAL ASSISTANCE TO NJ TRANSIT NEXT YEAR -- AND WE HAVE ALREADY INCREASED FARES BY 34 PERCENT DURING THE LAST THREE YEARS. ALTERNATIVELY, WE COULD CUT THE LEVEL OF SERVICE WHICH WE OFFER, BUT THAT MAKES NO SENSE IN A TIME WHEN MORE, NOT LESS MASS TRANSIT IS NEEDED TO MEET NATIONAL ENVIRONMENTAL AND ENERGY OBJECTIVES.

THE ADMINISTRATION'S PROPOSAL WOULD ALSO INCREASE THE LOCAL MATCH

REQUIREMENTS FOR TRANSIT BY INCREASING THE LOCAL MATCH FROM 20 TO 40 PERCENT. THESE PROPOSALS CANNOT BE JUSTIFIED IN LIGHT OF RECENT ACTIONS CONCERNING AMERICANS WITH DISABILITIES, CLEAN AIR AND THE INSTABILITY IN THE PERSIAN GULF. ADA AND CLEAN AIR REQUIREMENTS ALONE WILL INCREASE THE COST OF EACH BUS PURCHASED BY APPROXIMATELY $50,000, AND WE ARE FACING MAJOR CAPITAL AND OPERATING OUTLAYS TO INCREASE ACCESIBILITY TO OUR RAIL STATIONS AND TO PROVIDE THE SHADOW PARATRANSIT SYSTEM REQUIRED BY ADA.

THE ADMINISTRATION'S ENERGY POLICY ALSO FAILS TO RECOGNIZE THE ROLE OF MASS TRANSIT IN PROMOTING ENERGY SAVINGS. THE ADMINISTRATION'S PROPOSAL IS A BLUEPRINT TO ENSURE LONG-TERM DEPENDENCE ON FOREIGN OIL. IN FACT, THE PROPOSAL DOES NOT REDUCE BY EVEN ONE PERCENT OUR DEPENDENCE ON FOREIGN OIL. THE ADMINISTRATION'S ENERGY PLAN FAILS TO RECOGNIZE THAT THE CURTAILMENT OF THE SINGLE OCCUPANT VEHICLE IS ESSENTIAL IF WE ARE TO REDUCE FOREIGN OIL IMPORTS.

THE ADMINISTRATION'S REAUTHORIZATION BILL ALSO FALLS SHORT IN DEVELOPING A CRITICAL ROLE FOR MASS TRANSPORTATION. WORSE, THE PROPOSED REAUTHORIZATION BILL CONTINUES TO EMPHASIZE HIGHWAY SPENDING OVER TRANSIT INVESTMENTS. OVER A FIVE YEAR PERIOD HIGHWAY FUNDING INCREASES BY 40 PERCENT, TRANSIT BY 1.5 PERCENT. THE INCREASE IN MASS TRANSPORTATION FUNDING, AS LITTLE AS IT IS, IS ILLUSIONARY SINCE ACTUAL OUTLAY EXPENDITURES ARE REDUCED, AND REMAIN BELOW CURRENT LEVELS FOR THE LIFE OF THE AUTHORIZATION BILL. FURTHER, WHILE FLEXIBILITY IN SPENDING HIGHWAY AND TRANSIT FUNDING

IS TO BE APPLAUDED, IT IS NOT A VERY BALANCED APPROACH TO ALLOW ALL TRANSIT FUNDS TO BE USED FOR HIGHWAYS, BUT TO LIMIT THE USE OF HIGHWAY FUNDS FOR TRANSIT ELIGIBLE PROJECTS.

THE PROPOSED LEGISLATION ALSO FAILS TO DIRECTLY LINK TRANSPORTATION INVESTMENT DECISIONS TO THE REQUIREMENTS OF THE CLEAN AIR ACT. IF WE WANT A HEALTHY ENVIRONMENT, WE CANNOT AFFORD TO REPEAT THE MISTAKES OF THE PAST TWENTY YEARS. TRANSPORTATION INVESTMENTS SHOULD BE CONSISTENT WITH AIR QUALITY STATE IMPLEMENTATION PLAN OBJECTIVES, AND FLEXIBILITY MUST BE PROVIDED TO ALLOW STATES TO PRIORITIZE PROJECTS ON THE BASIS OF CONTRIBUTING TO CLEAN AIR OBJECTIVES. WE CAN NO LONGER AFFORD TO ADVOCATE CLEAN AIR WITH OUR LEFT HAND, AND HIGHWAY CAPACITY EXPANSION WITH OUR RIGHT.

AS AMERICA MOVES TOWARDS THE 21ST CENTURY WE NEED TO DEVELOP A NEW AGENDA FOR A NEW CENTURY. FEDERAL TRANSPORTATION POLICY SHOULD FOCUS ON FIVE KEY OBJECTIVES.

FIRST, TRANSPORTATION FUNDING DECISIONS MUST BE LINKED TO OVERALL NATIONAL AND LOCAL OBJECTIVES. TRANSPORTATION INVESTMENTS MUST ENHANCE ECONOMIC DEVELOPMENT, IMPROVE AIR QUALITY AND REDUCE ENERGY CONSUMPTION.

SECOND, FEDERAL TRANSPORTATION POLICY MUST HELP STABILIZE AND RENEW THE NATION'S EXISTING TRANSPORTATION INFRASTRUCTURE.

9

THIRD, FEDERAL TRANSPORTATION POLICY MUST ENCOURAGE EXPANDED MASS TRANSPORTATION SERVICE AND INCREASED MASS TRANSPORTATION CAPACITY. EXPANSION MUST BE ACHIEVED IN THE MOST COST-EFFECTIVE MEANS POSSIBLE. INNOVATIVE APPROACHES SUCH AS VANPOOLS AND LOW-COST SUBURBAN SERVICE INITIATIVES MUST BE PURSUED. AT THE SAME TIME HIGH-COST, BUT COST-EFFECTIVE NEW START RAIL PROJECTS SHOULD BE ENCOURAGED.

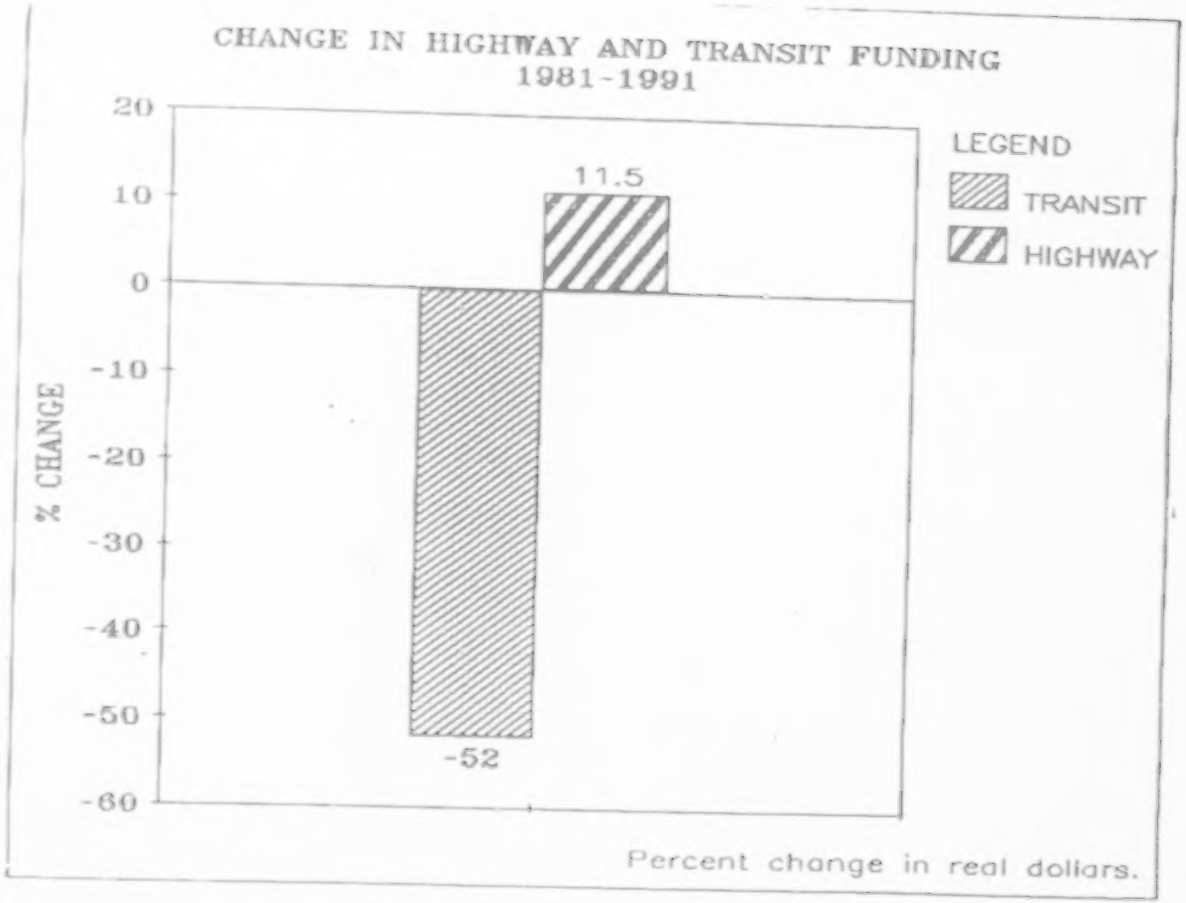
FOURTH, FEDERAL POLICY MUST ENCOURAGE PRIVATE SECTOR AND NON-TRADITIONAL FINANCIAL SUPPORT FOR MASS TRANSPORTATION. FEDERAL TAX POLICY SHOULD BE REVISED TO ALLOW FOR GREATER EMPLOYER TRANSIT BENEFITS TO BE NON-TAXABLE INCOME TO THE EMPLOYEE. ECONOMIC DEVELOPMENT AT RAIL STATIONS SHOULD BE ENCOURAGED AND PROMOTED BY FEDERAL TRANSPORTATION AND OTHER POLICIES.

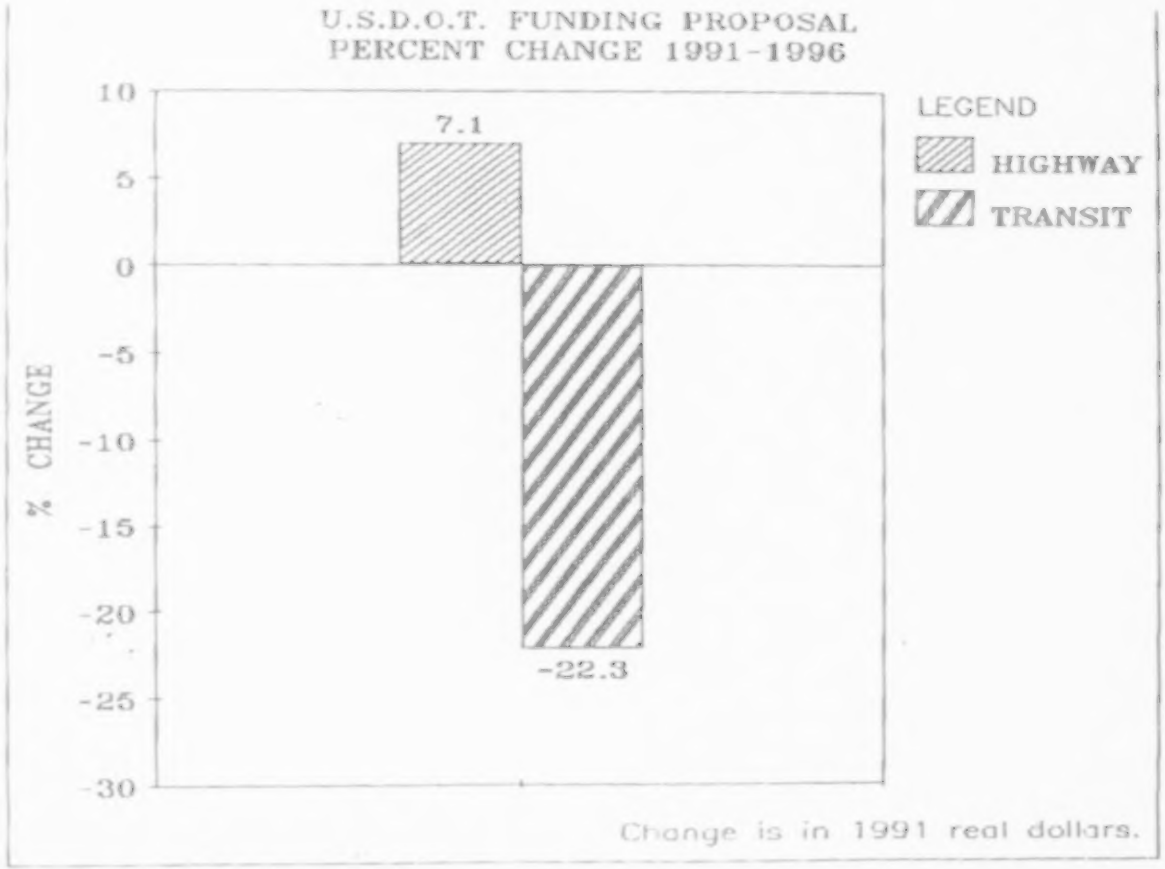
FIFTH, FEDERAL TRANSPORTATION RESEARCH DOLLARS MUST BE ADEQUATELY PROVIDED. THIS NATION NEEDS TO BEGIN TO THINK ABOUT THE NEXT GENERATION OF TRANSPORTATION INNOVATIONS. WE NEED TO INVEST IN OUR FUTURE -- NOT ONLY BECAUSE THIS INVESTMENT WILL IMPROVE MASS TRANSPORTATION SERVICES, BUT BECAUSE IT WILL ENSURE THAT THE NEXT GENERATION OF TRANSPORTATION PRODUCTS WILL BE "MADE IN AMERICA."

NO ONE EXPECTS THE FEDERAL GOVERNMENT TO DO IT ALONE. STATE AND LOCAL GOVERNMENTS MUST ALSO INCREASE THEIR SUPPORT. IN NEW JERSEY GOVERNOR FLORIO AND THE LEGISLATURE HAS MADE THIS COMMITMENT. SINCE 1988, NEW JERSEY'S INVESTMENT IN MASS TRANSIT HAS INCREASED

BY OVER 200 PERCENT, FROM $60 MILLION TO A PROPOSED $190 MILLION IN STATE FISCAL YEAR 1992. INCREASED STATE FUNDING, HOWEVER, ACHIEVES NOTHING IF FEDERAL FUNDING IS REDUCED OR LOCAL MATCH REQUIREMENTS INCREASED.

THIS CONCLUDES MY TESTIMONY. ONCE AGAIN, I APPRECIATE THE OPPORTUNITY TO PARTICIPATE IN HEARINGS BEFORE THIS SUBCOMMITTEE.


CHANGE IN HIGHWAY AND TRANSIT FUNDING
1981-1991
20
10
0
-10
-20
-30
-40
-50
-60
% CHANGE
11.5
-52
LEGEND
TRANSIT
HIGHWAY
Percent change in real dollars.


U.S.D.O.T. FUNDING PROPOSAL
PERCENT CHANGE 1991-1996
10
5
0
-5
-10
-15
-20
-25
-30
% CHANGE
7.1
-22.3
LEGEND
HIGHWAY
TRANSIT
Change is in 1991 real dollars.

United States House of Representatives

Committee on Public Works and Transportation

Subcommittee on Investigations and Oversight

Testimony on reauthorization of the

Surface Transportation Assistance Act

Submitted by

Louis J. Gambaccini

Chief Operations Officer/General Manager

Southeastern Pennsylvania Transportation Authority

March 5, 1991

45-238 O - 91 - 4

Introduction:

This year the 102nd Congress will reauthorize the Surface Transportation Assistance Act, the legislation that will distribute federal transportation dollars for three to five years.

Decades of ceaseless construction and expansion of highways for the single-passenger automobile must come to a dead end. Poisonous air, wasteful congestion, dependence on foreign oil, and economic stagnation point to a new direction for national transportation policy. To guarantee mobility for the next fifty years, we have to refocus federal policy on the safe and efficient movement of people, not of vehicles.

I realize that it is painfully out of fashion in Washington these days to have a goal or a vision, and then to set policies accordingly. It is reminiscence of a passage from Alice in Wonderland when Alice asks the Cheshire Puss:

> *"Would you tell me, please, which way I ought to go from here?"*

and the Cat answers:

> *"That depends a good deal upon where you want to get to."*
>
> *"I don't much care where," says Alice, "so long as I get somewhere."*

and the Cat replies:

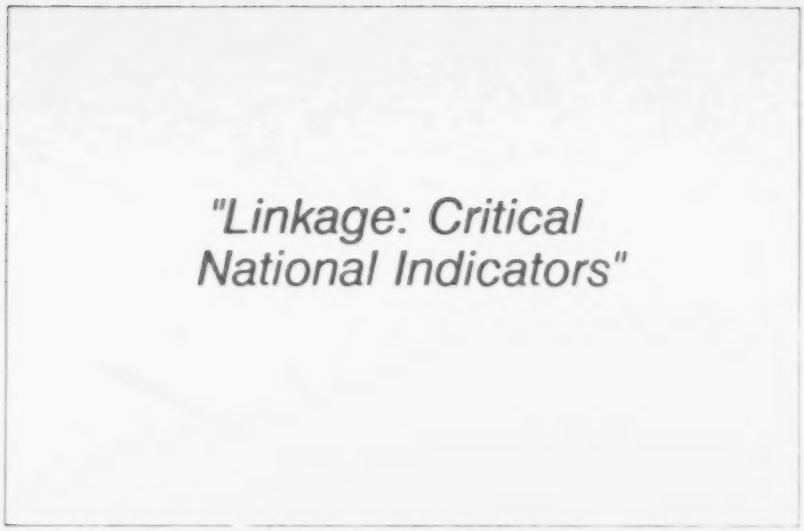
> *"Then it doesn't matter which way you go."*

It is up to us to decide where this nation should go. Reducing air pollution, congestion, and our nation's dependence on foreign oil, as well as "priming the pump" of the economy, all sound like good ideas to me. Investment in transit is a key means to these ends.

Yet the conventional wisdom in Washington says Congress will continue the same tried and failed policies of the past, accelerating the march of the lemmings to the sea by concentrating on the construction of freeways. With the completion of the interstate highway system, next year offers us a once in a generation opportunity to redirect national transportation policy. We are the ones who must get the word out and reverse the march of the lemmings.

Slide Show Script

1.



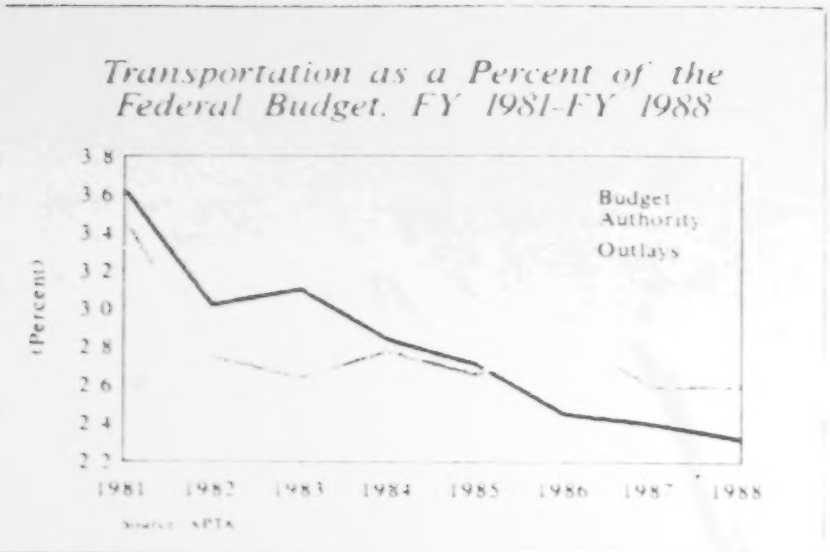
2. *Definition of "lemming."*

lem · ming \'lem-in\ n any of several small short-tailed furry-footed rodents of circumpolar distribution that are notable for the recurrent mass migrations of a European form which often continue into the sea where vast numbers are drowned

Transportation policies of the 1980s have set us marching to the sea like lemmings. Air pollution, congestion and energy dependence are taking a toll on the nation's economy. The following pages offer a review of these policies and their effects.

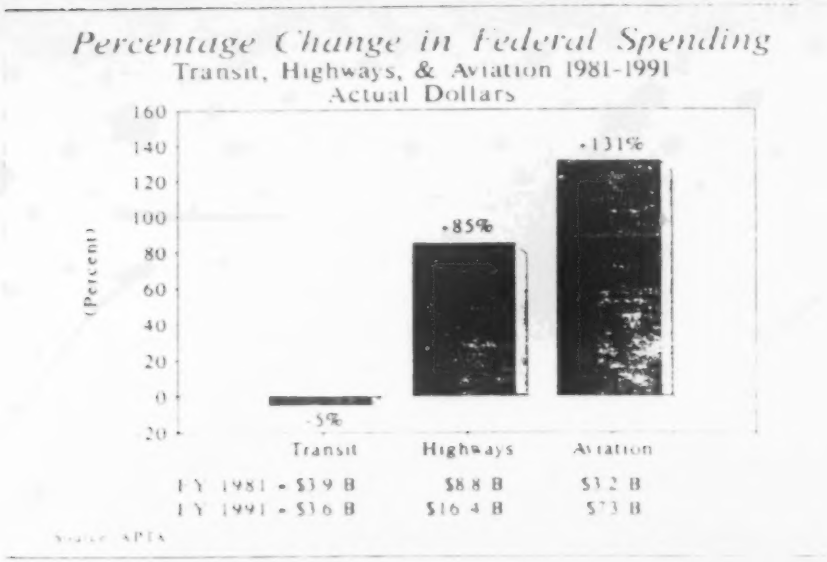
In the coming months, Congress and the President will decide the shape and course of our national transportation policy for the next three to five years. With the interstate highway system completed, this is a golden opportunity to reverse the march and ensure the nation's mobility.

3. *"Transportation as a Percent of the Federal Budget, FY 1981-FY 1988."*



Through the 1980s, transportation spending became less and less a priority. In 1981, transportation spending on highways, transit and aviation accounted for over 3.5 percent of the federal budget. Today, it is under 2.5 percent.

4. *"FHWA, UMTA and FAA Spending in Actual Dollars, 1981-1991"*



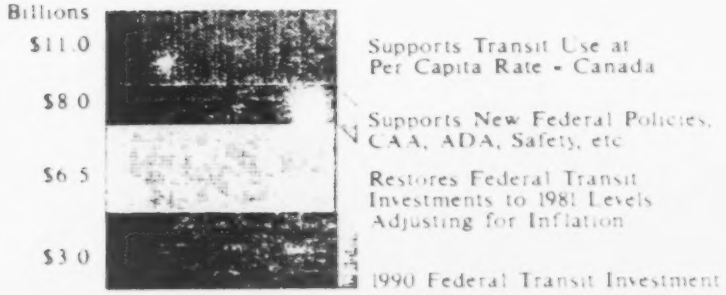
Yet, the decline in federal funding for transportation does not tell the whole story. From 1981 to 1991, in terms of actual dollars, federal spending has favored highways, which gained 85 percent, and aviation, up 131 percent, over transit, which lost 5 percent.

Federal Highway Administration (FHWA) funding increased 23 percent over inflation, while the Urban Mass Transportation Administration's (UMTA) budget lost 37 percent of its buying power. In the 1980s, transit took the hit while highways and aviation got the bucks.

The FY 91 Transportation Appropriations bill widened the schism. UMTA received a 7 percent increase from its lowest level, whereas FHWA received a 20 percent increase above its highest level -- and both are essentially frozen under new budget rules for three years.

5. *"Expanding Transit's Role: Sizing Federal Transit Investments"*

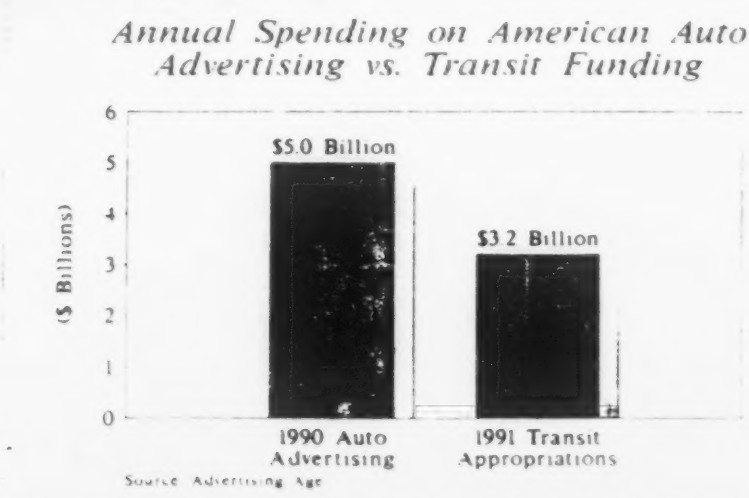
Expanding Transit's Role: Sizing Federal Transit Investments


Billions
$11.0
$8.0
$6.5
$3.0
Supports Transit Use at Per Capita Rate - Canada
Supports New Federal Policies, CAA, ADA, Safety, etc
Restores Federal Transit Investments to 1981 Levels Adjusting for Inflation
1990 Federal Transit Investment

Source: APTA

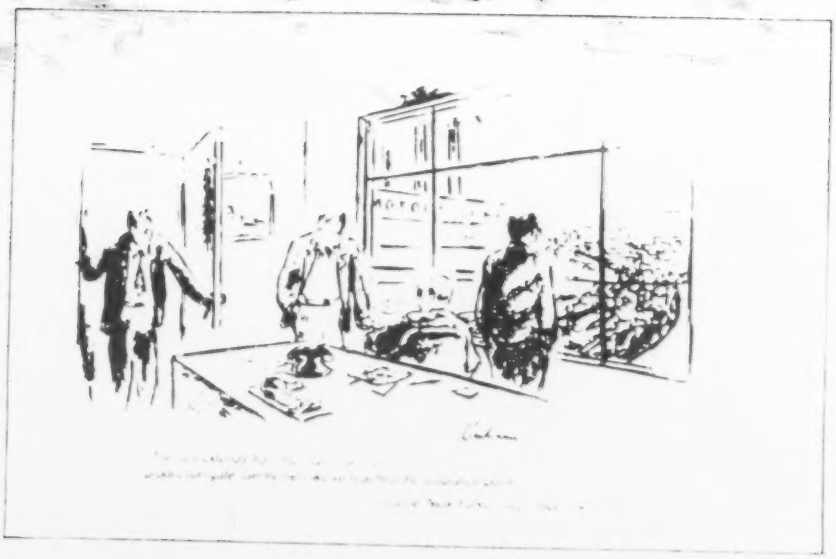
If transit funding had merely kept pace with the inflation of the 1980s, the American Public Transit Association's (APTA) core transit program of $6.5 billion would already be funded. To accommodate mandated programs and increase transit use, annual federal funding needs to increase to $11 billion.

6. "American Auto Advertising vs. Transit Funding."



Looking at our national priorities from another angle, annually, the American auto industry spends more on advertising its products ($5 billion) than the federal government spends on transit ($3.2 billion).

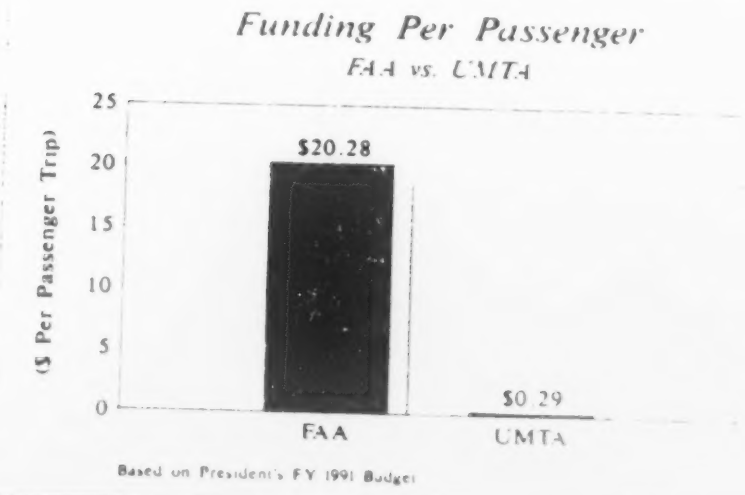
7. *Cartoon*



In the cartoon above, four executives from a major automobile manufacturer look out at a freeway clogged with nothing but semi-tractor trailers carrying new cars to market. One says, "The jam extends from the city clear to our production gate. Gentlemen, we've reached the saturation point."

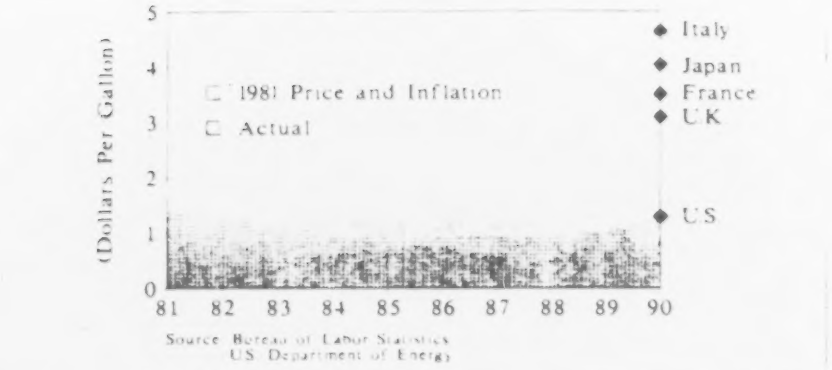
The cartoon was a humorous prediction when first published in The New Yorker in 1955. Today, it is reality.

8. "Funding per Passenger: FAA vs. UMTA"



The President's FY '91 budget proposed Federal Aviation Administration (FAA) spending at $20.28 per air trip, while suggested spending for UMTA came to a mere 29 cents per transit ride. On a per passenger-trip basis, FAA's figure is 70 times greater than UMTA's.

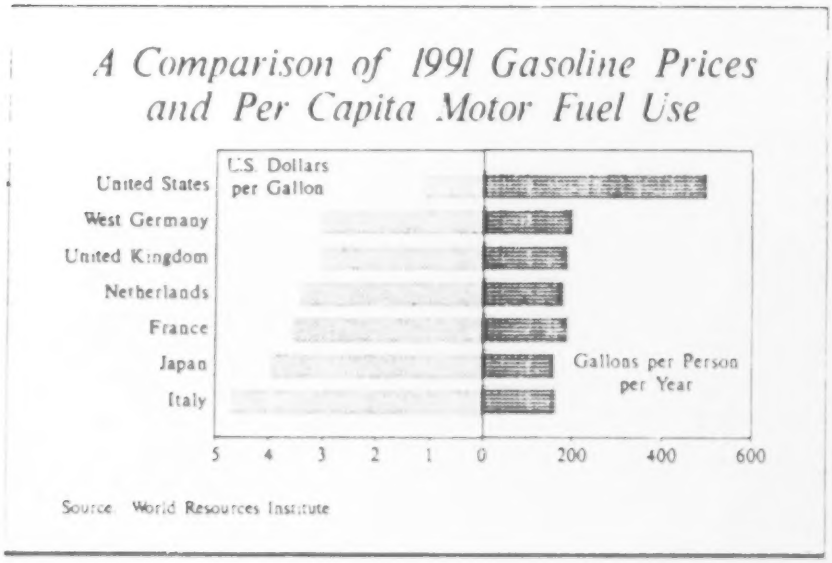
9. *"U.S. Gas Prices 1981-1990: Average Cost per Gallon of Gasoline"*



To further skew Americans' transportation choices, while money was poured into automobile and air travel, gasoline prices fell to record lows. Gas prices in the United States are three to four times lower than those of our major economic competitors. If gas prices had kept pace with inflation, they would be almost twice what they are today.

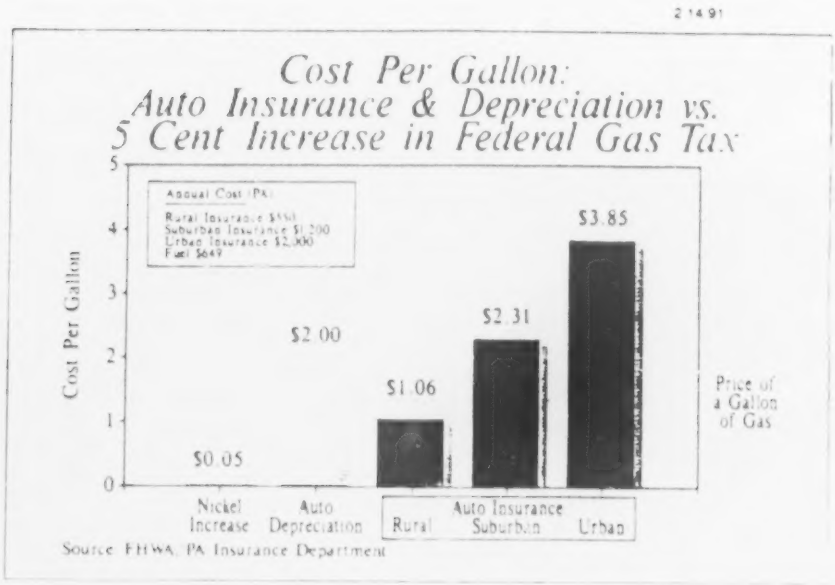
It is instructive to review the price of some favorite household liquids. The price per gallon of gasoline is far cheaper than other liquids -- milk ($2.38), orange juice ($2.78), mineral water ($3.74), beer ($5.33), and whiskey ($51.12). The only non-renewable resource on the list is by far the cheapest in cost. This price is so low, it remains an incentive to consume rather than conserve.

10. "A Comparison of 1991 Gasoline Prices and Per Capita Motor Fuel Use.



From the zero point left, the bars represent the price of a gallon of gasoline in each nation. The price of fuel in the United States is far lower than in other countries, and the difference is almost entirely due to gasoline taxes. From the zero point right, the bars represent each nation's annual per capita fuel consumption. There is a predictable inverse relationship between fuel prices and fuel consumption.

11. "Cost Per Gallon: Auto Insurance & Depreciation vs. 5 Cent Increase in Federal Gas Tax"



With the grousing about last year's nickel increase in the federal gasoline tax, it is interesting to place this tax hike in perspective.

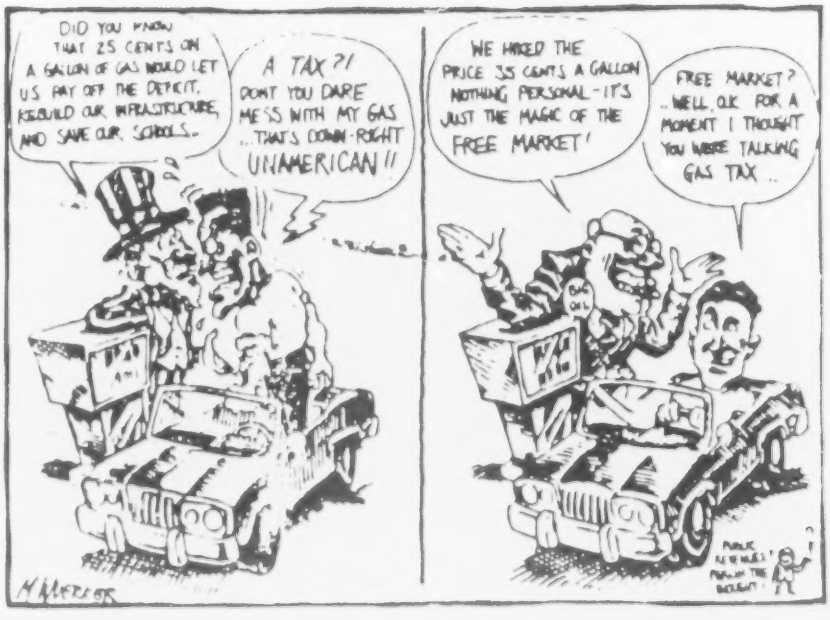
The Federal Highway Administration reports that the average car is driven a little over 10,000 miles per year. With a fuel economy average in the United States of 20 miles-per-gallon, the typical car consumes just over 500 gallons of gasoline a year.

In the City of Philadelphia, an auto insurance policy costs about $2,000 per year. This translates to $3.85 per gallon of gasoline consumed by the car. In the Philadelphia suburbs, this auto insurance policy cost per gallon is well over two dollars. Even in rural Pennsylvania, the figure is over one dollar per gallon.

For whatever Americans pay for their gasoline, on average they are paying between one to three and one-half times that amount for auto insurance. When you put a tiger in your tank you pay $15 for the gas and $40 for the insurance.

In addition, the standard rule of thumb for automobile depreciation ($100 every 1,000 miles) means that a car, at 20 MPG, loses two dollars in value for every gallon of fuel it burns.

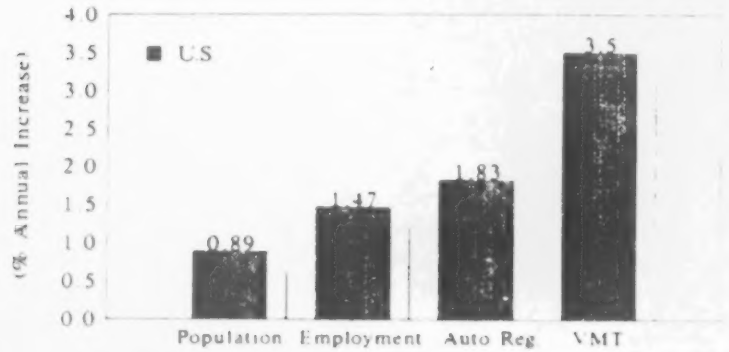
12. Cartoon


DID YOU KNOW THAT 25 CENTS ON A GALLON OF GAS WOULD LET US PAY OFF THE DEFICIT, REBUILD OUR INFRASTRUCTURE, AND SAVE OUR SCHOOLS.
A TAX?! DON'T YOU DARE MESS WITH MY GAS ..THAT'S DOWN-RIGHT UNAMERICAN!!
WE HIKED THE PRICE 35 CENTS A GALLON NOTHING PERSONAL - IT'S JUST THE MAGIC OF THE FREE MARKET!
FREE MARKET? ..WELL, OK FOR A MOMENT I THOUGHT YOU WERE TALKING GAS TAX ..

In this cartoon, the characters elaborate on this theme. The driver is furious when faced with a proposal to raise gasoline taxes 25-cents per gallon in order to pay off the deficit, rebuild our infrastructure, and save our schools. But when learning that the magic of the free market hiked the price 35-cents, the driver is docile.

13. *"1980-1989 Annual Growth in Population, Employment, Auto Registration & VMTs"*

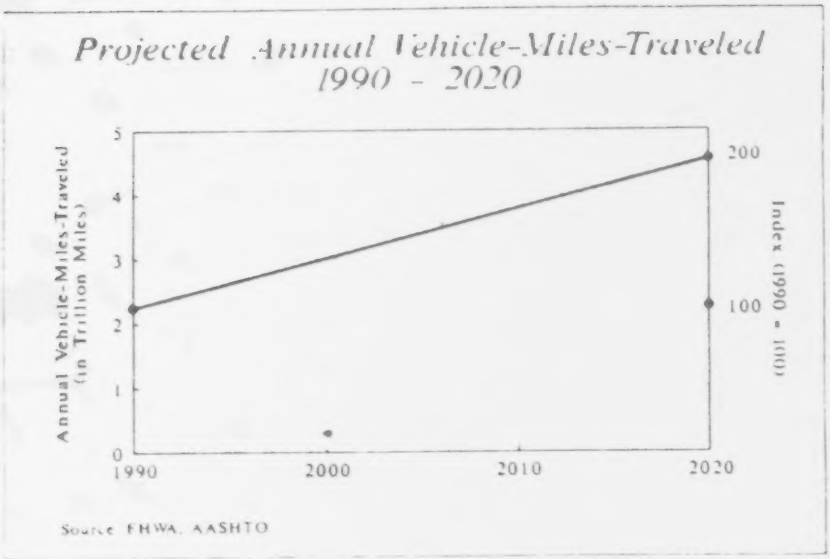
1980-1989 Annual Growth in Population, Employment, Auto Registration and VMT



Source: U.S. Statistical Abstract and FHWA

In the 1980s, population and employment grew. Auto registrations increased at a faster pace, fueled by the 35 million new vehicles that rolled off assembly lines every year. Vehicle-miles-travelled (VMT), however, soared during the 80s at an astonishing four times the rate of population growth. In some urban areas, including the Delaware Valley, VMT growth was twice this national pace.

14. "Projected Annual Vehicle-Miles-Traveled 1990-2020"



The American Association of State and Highway Transportation Officials projects that annual vehicle-miles-travelled in the United States will continue to grow at a rapid pace, doubling by the year 2020.

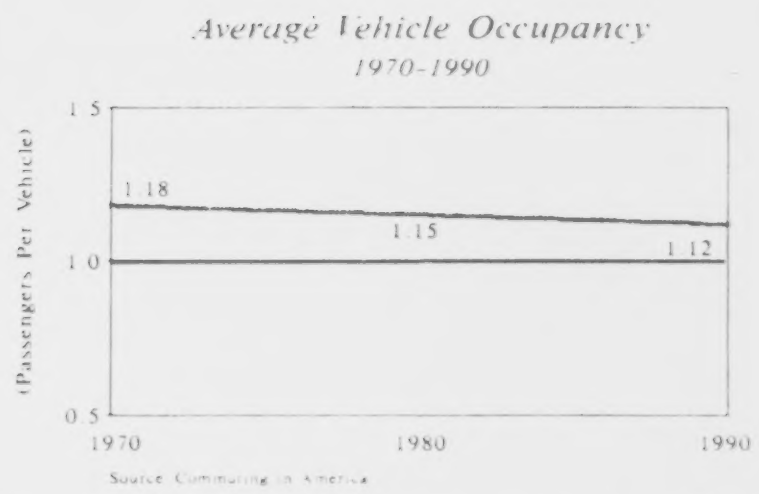
15. *"Shares of the Total Increase in Commuters by Market"*

Shares of the Total Increase in Commuters by Market 1960-1980

Source: Alan E. Pisarski, Commuting in America (Westport, Connecticut: ENO Foundation for Transportation, Inc., 1987)

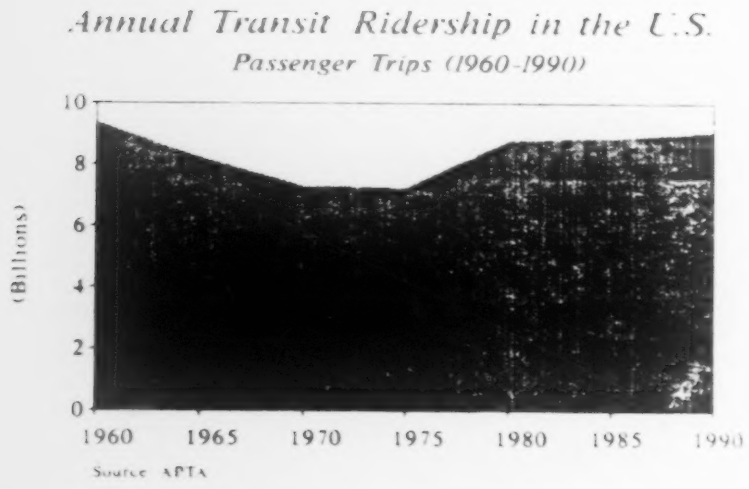
Most of the increase in travel has occurred in suburb-to-suburb trips where transit has lacked the resources to respond effectively and where development patterns have made transit solutions difficult.

16. "Average Vehicle Occupancy: 1970-1990"



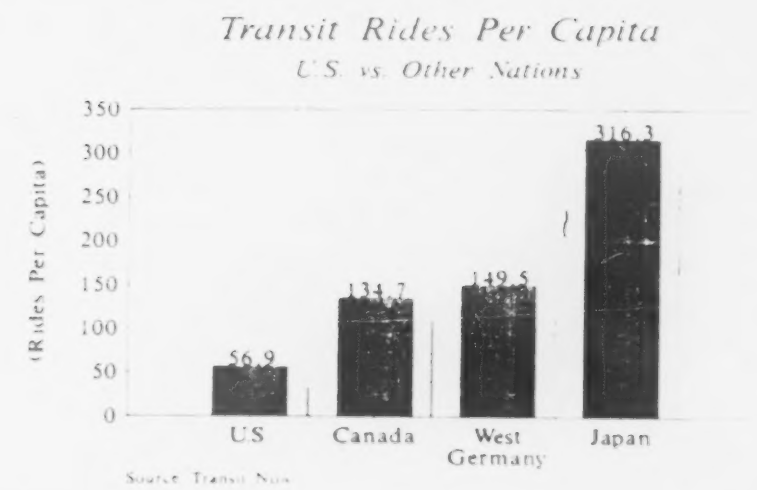
With cheap oil and a boom in highway construction, there are few incentives to raise vehicle occupancy rates. As a result, the average number of passengers per vehicle is dropping -- down from 1.18 in 1970 to 1.12 in 1990.

17. *"Annual Transit Ridership in the U.S.: Passenger Trips (1960-90)"*



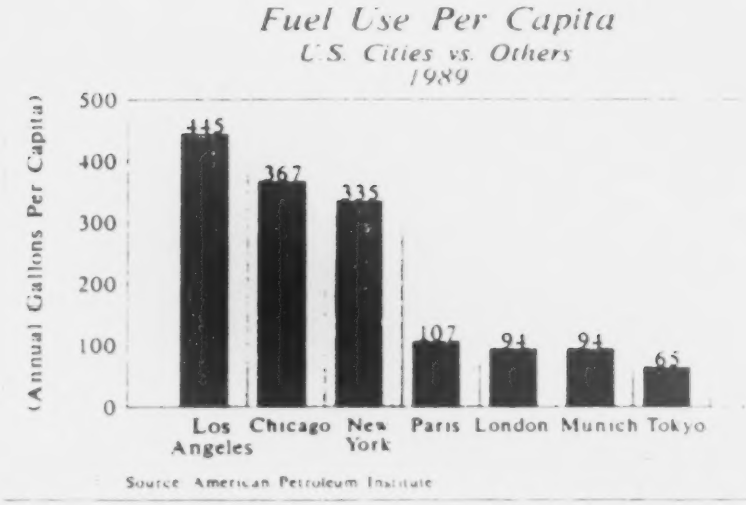
Despite declines in funding, increases in auto use and changes in commuting patterns, transit ridership in the 80s remained stable

18. "Transit Rides per Capita: U.S. vs. Other Nations"



Still, compared to our economic competition, transit in America provides a far smaller share of rides. Our heavy reliance on the automobile carries costs.

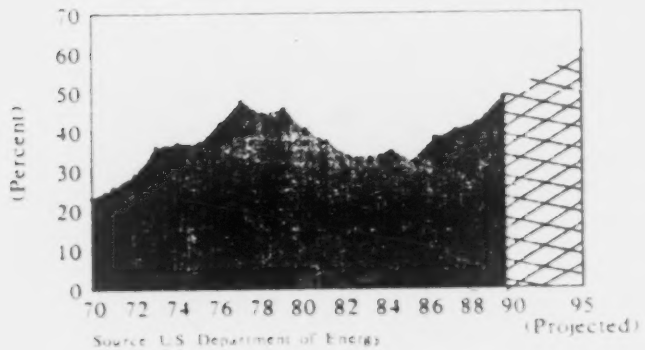
19. *"Fuel use per capita: U.S. cities vs. others, 1989"*



With fewer transit riders per capita, our fuel consumption per capita is three to four times greater than that of other nations.

20. "Imported Oil as a Percent of Total U.S. Oil Consumption"

Imported Oil as a Percent of Total U.S. Oil Consumption



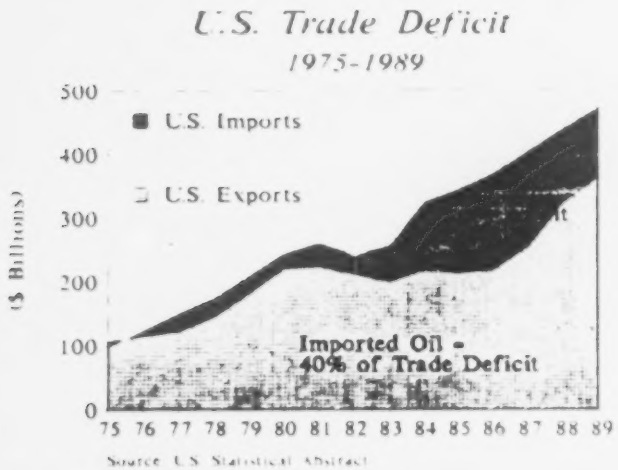
Source: U.S. Department of Energy

In light of federal policies, we should not be surprised that the consumption of foreign oil has increased--despite major fuel efficiency improvements.

While U.S. consumption of foreign oil has varied since 1970, U.S. reliance on imported oil is at an all time high, higher than before either of the great oil shocks. A recent report from the US Department of Energy predicts that our dependence on foreign supplies, near 50 percent this year, will reach 80 percent by the year 2030.

Let's not forget the environmental cost of importing fuel. An estimated 2.9 million barrels of oil per year is spilled into our oceans by oil tankers.

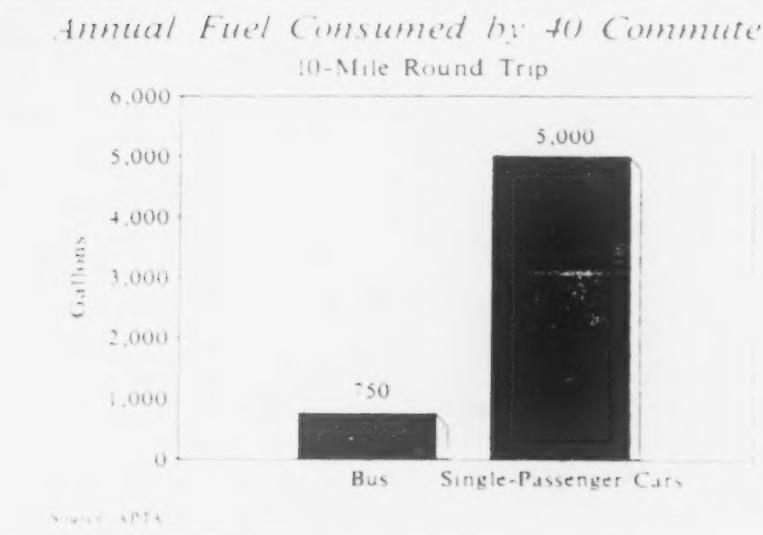
21. *"Economic Trends: Trade Deficit"*



Energy dependence, air pollution and congestion extract costs from the nation's economy.

Our trade deficit is growing and our economy continues to weaken. The United States has gone from being the world's largest creditor nation to the world's largest debtor nation, as we have exported high-tech, high-skilled jobs overseas. In fact, imported oil accounts for 40 percent of our trade imbalance. As the export of middle-class jobs accelerates, perhaps Americans will wake up to their own self-interest and take steps to preserve the basic elements of their way of life: jobs, mobility and a healthy environment.

22. *"Annual Fuel Consumed by 40 Commuters: 10-mile round trip"*



Given current foreign adventures, it is helpful to remind ourselves of the fuel efficiency of transit use. While the average car on the road gets 20 mpg, a fully-loaded transit bus is the equivalent of 40 passengers riding in cars that get 140 mpg. During a year, a single transit bus rider saves over 100 gallons of fuel on a 5-mile daily commute, and the resulting air pollution, by keeping the car at home.

Despite this, the US Department of Energy did not even so much as mention investment in transit as a path for greater energy efficiency in a report it issued in December 1990.

23. *Cartoon*

WE GOTTA DO SOMETHING ABOUT IRAQ AND THAT MAD TYRANT HUSSEIN!!
ACTUALLY WE COULD CONSERVE ENERGY BY DRIVING SMALLER CARS, DRIVING LESS, USING MORE PUBLIC TRANSPORTATION, USING LESS ELECTRIC TV IN OUR HOMES, INVESTING HEAVILY IN DEVELOPING OTHER ENERGY SOURCES, AND SLIGHTLY ALTERING OUR LIFESTYLE. THEN WE COULD HOLD LESS OIL AND CRIPPLE IRAQ'S ECONOMY AS
!!! COULDN'T WE JUST NUKE 'EM?

Source: Miami Herald

When confronted with our vulnerability to instability in the Middle East, the reaction of many is reflected in the cartoon (above) featured in the Miami Herald. When a citizen suggests that we sock it to "that mad tyrant Hussein," by driving less and using public transportation more, the other pleads "Couldn't we just nuke em?"

24. "Areas Exceeding Ozone NAAQS"

Areas Exceeding the Ozone NAAQS

Based on 1986-88 Data

Source: EPA

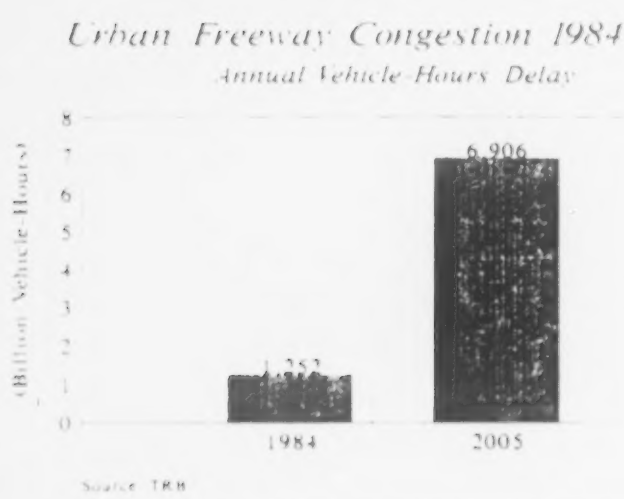
More cars and little growth in transit ridership equals ozone pollution. One hundred and one of the largest 140 urbanized areas of the United States, home to nearly three quarters of this nation's citizens, violate the national ambient air quality standard for ozone. In urban America, over half of ozone precursors are spewed from motor vehicle tailpipes.

We know that in Southern California ozone reduces the lung capacity of newborns by 10 percent. Perhaps the entire nation will soon suffer such side effects.

On a per passenger basis, today's diesel bus emits 90 percent less the ozone precursor hydrocarbons than the cars it removes from the road, as well as 75 percent less carbon monoxide, the other major urban air pollutant.

Some of the nonattainment cities: Atlanta, Baltimore, Boston, Chicago, Columbus, Dallas, Detroit, Houston, Kansas City, Los Angeles, Miami, Milwaukee, Newark, New Orleans, New York, Oakland, Pittsburgh, St. Louis, Seattle, and Washington, D.C.

25. *"Urban Freeway Congestion 1984-2005: Annual Vehicle-Hours Delay"*

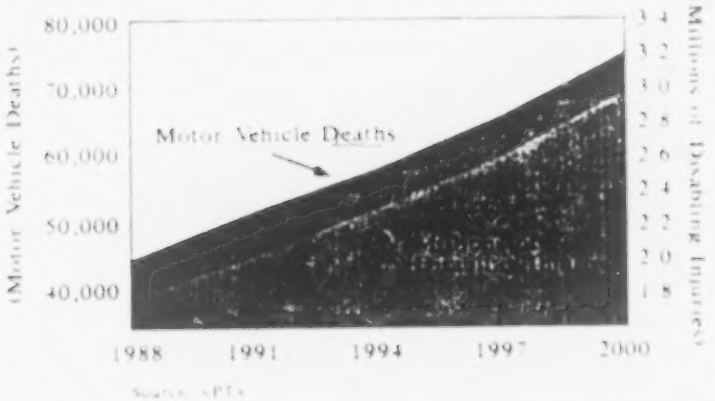


By the year 2005, delays due to congestion will increase five-fold. A worker entering the U.S. workforce today can look forward to spending two years of his work life stuck in traffic.

Congestion in the year 2005 will also cause a corresponding increase in excess fuel consumption totalling over 6 billion gallons of fuel, most of that imported. With fax machines and microwave ovens in cars, we may soon never have to leave our cars (or perhaps, we won't be able to

26. *"Potential Increase in Motor Vehicle Deaths and Disabling Injuries by 2000 at Current Rates"*

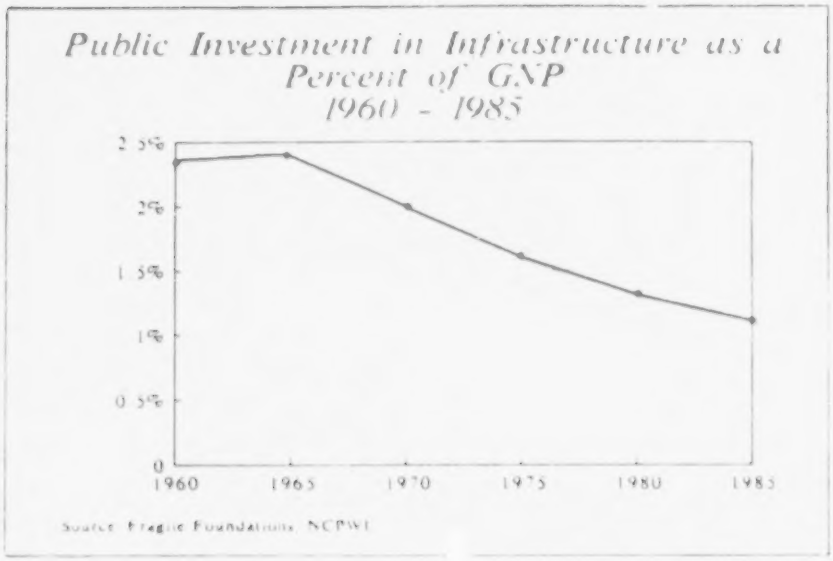
Potential Increase in Motor Vehicle Deaths and Disabling Injuries by 2000 at Current Rates



Source: CEA

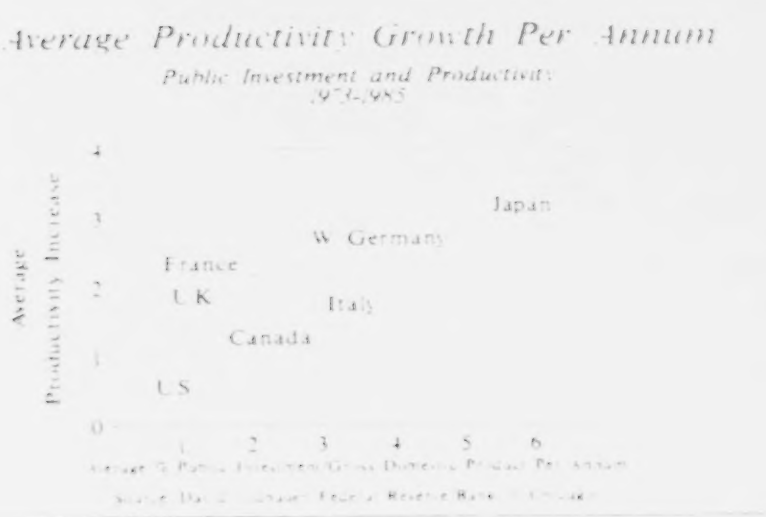
With an ever greater number of cars traveling in closer proximity to one another, there is an increase in the carnage on the highways. Every year American roads see nearly as many deaths as our troops did in 15 years in Vietnam. And like Vietnam, a disproportionate number of these victims are young. At the current rate of growth, this country will see a 40 percent increase in the annual death toll on our highways.

27. *"Public Investment in Infrastructure as a Percent of GNP 1960 - 1985"*



Our misplaced national priorities have extracted a tremendous economic toll. Public investment in public capital, such as sewer and water systems, highways, and public transit, has fallen from a high in the mid-sixties of near 2.5 percent to current levels around 1 percent. Economist David Alan Aschauer has shown that this line correlates to U.S. productivity growth.

28. *"Average Productivity Growth per Annum: Public Investment and Productivity, 1973-1985"*

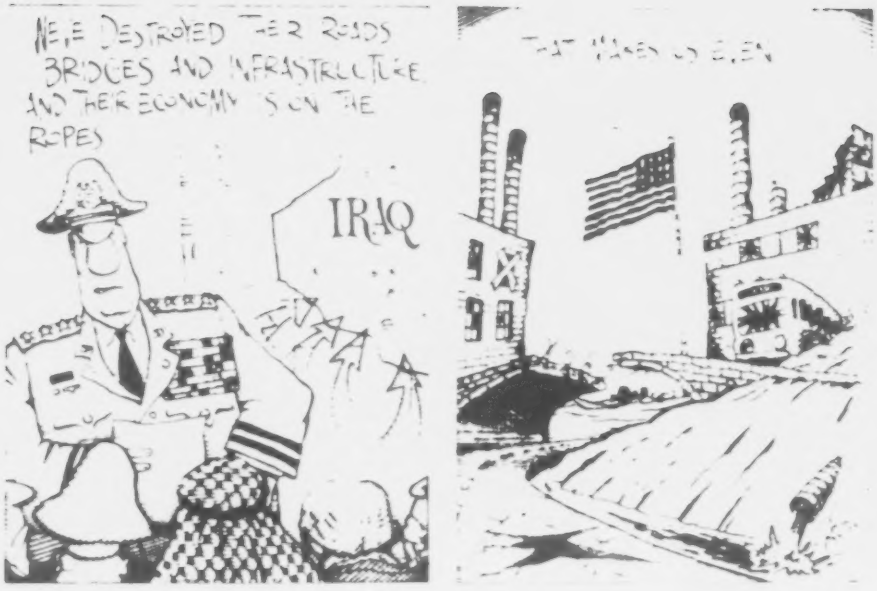


Compared to the other G-7 industrialized nations, the US's low level of investment in public infrastructure correlates to a very low productivity growth rate. Our competitors, realizing the benefits of public capital investment, enjoyed strong productivity gains. As you can see, between 1973 and 1985, the average U.S. investment in public infrastructure was 0.3 percent of our gross domestic product, while American productivity growth was an anemic 0.6 percent. The Japanese invested over 5 percent of their gross domestic product in public capital, and Japanese productivity grew at a 3.3 percent clip.

Indeed public spending on infrastructure does not crowd out private investment. Rather it encourages the private sector. What does hinder private investment is budget deficits. Perhaps the record federal budget deficit would not be such a waste if the dollars had been invested in the $2.0 trillion in public capital that supports the national economy rather than squandered on bombs and bailouts.

I believe it was Winston Churchill who said, "You can always depend on Americans to do the right thing, once they have tried everything else." In this country, we have laid the groundwork for decades of slow to no growth. One hopes that, having ignored public investment, we will wake from our stupor.

29. Cartoon



Bombing the infrastructure of Iraq merely placed us on equal footing illustrates Tony Auth of the Philadelphia Inquirer on January 22 1991

30. *"Administration Reauthorization Proposal"*

Administration Reauthorization Proposal

Increases pro-highway, anti-transit bias and anti-city bias

- Ratio of total highway to transit program funding goes from 2 - 1 in FY '81
  to 5 - 1 current
  and to 8 - 1 in FY '97
- Increases incentive to spend for highways - matching ratio, federal to state:
  Highway 90/10 or 75/25
  Transit 60/40 or 50/50
- Only highway program equal to transit in matching ratio is Urban/Rural Program at 60/40

The president's proposed reauthorization of the Surface Transportation Assistance Act continues the same pro-highway, anti-transit and anti-city bias of federal transportation policy bloomed in the eighties. The Administration would further the widening discrepancy between federal highway and transit funding, and it proposes to increase the discrepancy in matching ratios between the highway and transit programs.

31. *"Administration Reauthorization Proposal"*

Administration Reauthorization Proposal

- Eliminates operating assistance for cities over one million population.
- All transit money can be used for highway; only 1/3 of highway money can be used for transit; and that 1/3 is probably the most underfunded of the highway categories.
- Mandates without $s: Clean Air Act and Americans with Disabilities Act.

In addition, the Administration proposes to eliminate operating assistance to transit systems operating in urbanized areas with populations greater than one million. The proposal would open up the entire transit program for use on highway projects, while allowing only one-third of the highway program to be used for transit projects. Finally, the Administrations's provisions for implementation of the Americans with Disabilities Act and the Clean Air Act are woefully inadequate.

32. *Lewis Carroll, Alice In Wonderland, p. 88.*

. . . (Alice) went on.

"Would you tell me, please, which way I ought to go from here?"

"That depends a good deal on where you want to get to," said the Cat.

"I don't much care where," said Alice, "so long as I get somewhere."

"Then it doesn't matter which way you go," said the Cat.

33. Winston Churchill, 1941.

"You can count on the American people
to do the right thing;
after they've tried every other alternative."

Summary:

In the 1980s, public capital investment became a low priority for the federal government. While spending on highways kept pace with inflation, investment in public transportation fell dramatically.

These budgetary policies, coupled with record low gasoline prices, fueled a boom in automobile travel. Vehicle-miles-travelled (VMT) grew at an annual clip of 3.5 percent, nearly four times the pace of the population growth. In some urban areas VMT growth was twice the national figure. Average vehicle occupancy fell. Transit ridership held steady, but transit agencies lacked the dollars needed to enhance service in areas of the most rapid growth in trips.

Increased auto use carries an ever increasing price. The United States is now more dependent on imported oil than at any time this century. In 1990, we will import nearly 50 percent of the oil we consume, and the United States Department of Energy projects this figure will rise to 80 percent by the year 2000.

Over three-quarters of the United States population lives in ozone nonattainment areas. By 2010 time lost in traffic congestion will have increased 400 percent on the nation's freeways. Annual motor vehicle deaths now nearly equal the number of Americans killed in the Vietnam War.

Transit is on average six to seven times more energy efficient than automobile travel. A full bus removes forty cars from the road, reducing congestion. In this way, investment in transit may be the surest guarantee of the future mobility of the automobile. On a per passenger basis, transit vehicles emit but a fraction of the pollutants of the cars removed from the road.

Air pollution, congestion, and energy dependence take a toll on the nation's economy. The United States trade deficit soared as high-skilled, high-paying jobs are exported overseas. Our economic competitors invest a much larger slice of their national wealth in public capital, and enjoy much more rapid growth in productivity.

For the well-being of the American economy, the federal government must increase investment in all transportation infrastructure: highways, aviation, and transit. Building public assets that yield decades of benefits is the best type of government spending.

In the pursuit of national goals vital to the quality of American life -- reduced congestion, clean air, and energy independence -- the old ways no longer apply. The completion of the interstate highway system provides an historic opportunity to focus national transportation policy on the safe and efficient movement of people, not of vehicles. It is time the federal government treat transit as a critical balance to highways.

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TRANSPORTATION
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(0151Q)

Executive Director
LAWRENCE D. DAHMS

Deputy Executive Director
WILLIAM F. HEIN

Testimony Before

HOUSE COMMITTEE ON

PUBLIC WORKS AND TRANSPORTATION

SUBCOMMITTEE ON

INVESTIGATION AND OVERSIGHT

by

William F. Hein

On Behalf

METROPOLITAN TRANSPORTATION COMMISSION

of the

San Francisco Bay Area

March 5, 1991

Mr. Chairman, my name is Bill Hein and I am the Deputy Executive Director of the Metropolitan Transportation Commission (MTC). MTC is the regional transportation planning and funding agency for the nine-county San Francisco Bay Area, which has a population of six million. An important part of our responsibility is to ensure the fiscal well-being of our transit operators - a increasingly difficult task.

We appreciate the opportunity to testify today and share some of our concerns regarding federal funding for transit.

The Bay Area has an aggressive transit program. We have 17 primary operators with a combined annual operating budget of over $800 million serving approximately one and one-half million trips a day. Our services consist of BART rapid transit, commuter rail, light rail, ferries, buses and, our symbol, the cable cars. The region committed approximately $170 million in fiscal year 1990 for capital projects to sustain and improve these services. Attachment 1 includes a statistical summary and description of our operators.

The last 10 years have been akin to the "Perils of Pauline" with regard to federal support for transit. Administration proposals to slash transit and congressional struggles to restore transit in the face of the mounting deficit has resulted in a dramatic erosion of federal support for transit.

Federal funds are an important part of our regional program. Attachment 2 shows the federal, state and local funds for transit in the MTC region over the last 10 years. As you can see, local governments have stepped forward to fill part of the gap caused by eroding federal funds. However, there are very real limits to how far local government can go.

In 1984, Congress stitched together the Section 9 program. The Section 9 program was to provide an assured financial base both to sustain the transit capital plant and to provide some operations assistance. It has failed to achieve its objective.

In our region these funds have declined from $120 million in fiscal year 1984 to $82 million in 1991. In purchasing power this has been a 50% reduction.

In the early 80s we could count on these funds to meet our replacement needs. That is no longer true. These funds now equal 53% of our needs (Attachment 3).

Over the next 10 years, we estimate our replacement needs to be $1.479 billion. If Section 9 remains constant at current levels it will equal 36% of these needs (Attachment 4).

Although federal operating assistance is not a large percentage of our overall budget, the loss of these funds to some operators like San Francisco Municipal Railway or AC Transit would have major impacts on service. We can not support the Administration's efforts to eliminate operating subsidies for major urban areas.

The result of the decline is just beginning to show -- deferred replacement and starving of operating budgets, particularly in non-service areas such as maintenance -- exactly those strategies guaranteed to put transit in jeopardy.

It's a well accepted principle in the federal highway program that we should maintain what we build. The Administration's reauthorization proposal continues a major program to rehabilitate the Interstate system. The Section 9 program should be seen as the transit equivalent for urban areas. In order to meet that need, Section 9 funding must be increased at least to the level of buying power established in the mid-1980s.

I won't dwell on the Section 3 discretionary program. Needless to say inadequate Section 9 funds puts a tremendous burden on the discretionary funds. Competition for rail modernization far exceeds available funds. Current and accumulated requests for Section 3 rail modernization amount to $173 million (Attachment 5). We expect less than $60 million in 1991.

We are also trying to expand our rail systems to address urban mobility and air quality problems. We have a regional consensus on a $3.4 billion rail program that is based on a 30% federal contribution (Attachment 6). This translates to a federal commitment of nearly $100 million a year over the next 10 years - or one-third of the total annual amount proposed by the Administration.

Let me switch gears from funding to the rules of the game. The rules are set forth by your authorization. This year reauthorization of the Surface Transportation Act will be a major challenge for you and an opportunity for transit.

Many of the problems of transit, particularly the need to expand, can be eased if Congress allows bus and rail systems to compete fairly for funds in urban areas. We believe that funding to urban areas should be predictable and flexible. Funds should be assured to rehabilitate the existing Interstate system and to sustain transit, and each urban area should have the flexibility to expand its highway and transit systems in the most effective way to provide mobility.

The Administration's proposal for reauthorization begins to talk of flexibility, but it falls far short. The program focuses on an expanded highway system, has differing matching ratios to skew decision making (for example, a urban National Highway System project would be matched at 75% while a urban rail project would be matched at 50%) and provides only limited funds on a flexible basis.

This proposal will not meet the needs of urban America and it will continue to undermine our ability to invest in transit. Large urban areas must have the flexibility to invest in transit if we are to address urban congestion and if we are to be responsive to Congressional mandates on air quality.

We know that you recognize that adequate levels of funding for transit are necessary. And we recognize the tremendous demands on you as you try to meet the needs of the nation within very severe budget constraints. But putting the funding issue aside, this year Congress has a once-in-a-generation opportunity to make a leap forward in developing a federal transportation policy that will assist transit. The centerpiece of federal surface transportation policy for over 30 years, the Interstate system, is complete. Reauthorization provides an opportunity to address other pressing needs of urban and rural America.

Thank you very much for the opportunity to testify. I'd be pleased to answer any questions you may have.

(0151Q)

Transit Operator Statistics

Transit Operator	Operating Data		Sources of Operating Funds (b) ($000)							Total Operating Expenses ($000)
			Local/Regional				State	Federal		
	Active Fleet	Average Weekday Boardings	User (Fares)	Local Taxes	TDA (c)	AB 1107 (d)	STA (e)	UMTA (f)	Other (g)	
AC Transit	794	193,100	$ 35,408	$ 32,372	$ 29,458	$ 18,040	$ 331	$ 6,379	$ 5,048	$ 127,034
BART	589	241,500	99,528(*)	92,763(*)	413	260	19	0	0	192,983 (*)
Caltrans	73	21,000	10,898(*)	3,864(*)	3,299 (i)	0	186 (i)	1,147	9,167	28,561 (*)
CCCTA	113	15,300	1,789	0	9,495	0	0	1,273	(336)	12,221
ECCTA	27	2,000	363	0	1,774	0	0	0	(40)	2,097
Fairfield/Suisun	8	1,300	147	0	329	0	0	256	(18)	714
GGBHTD	278 (h)	35,300	14,424(*)	17,543(*)	8,009	0	0	1,582	712 (*)	42,270 (*)
LAVTA	24	2,400	287(*)	0(*)	2,657	0	0	0	209	3,153 (*)
Napa City	11	2,100	157	0	342	0	1	335	20	855
SF Muni	1,106	761,200	76,900	126,593	20,339	18,040	270	7,903	2,348	252,393
SamTrans	302	56,000	8,120(*)	8,076(*)	15,868	0	0	1,475	1,393	34,932 (*)
SCCTD	506	137,000	13,728(*)	59,254(*)	42,815	0	0	8,158	1,495	123,450 (*)
Santa Rosa	21	5,300	616(*)	0	1,650	0	15	662	(157)	2,786 (*)
Sonoma County	38	3,200	624	0	2,584	0	0	0	184	3,392
Union City	9	1,700	168(*)	0(*)	1,154 (j)	0	0	184 (j)	(355)	1,151 (*)
Vallejo	28	7,000	1,020	0	2,177	0	0	192	(416)	2,973
WCCCTA	20	1,000	91	0	967	0	0	202 (j)	(640)	620
Regional Total	3,949	1,486,400	$ 264,266	$ 340,465	$ 143,330	$ 36,340	$ 822	$ 27,748	$ 18,614	$ 831,585

(a) Unless otherwise noted by (*), figures are unaudited data reported by transit operating agencies and MTC resolutions.

(b) TDA, STA, AB 1107 and UMTA funds corresponds to MTC allocations. Actual amount used for the fiscal year might have varied somewhat. Any adjustments are made under "Other."

(c) Transportation Development Act.

(d) 25% of 1/2 cent transactions and sales tax revenues collected in Alameda, Contra Costa and San Francisco counties.

(e) State Transit Assistance.

(f) Urban Mass Transportation Administration grants (Sections 9 and 18).

(g) Negative numbers indicate funding not actually spent for operations in FY 1988-89.

(h) In addition, service is provided by 19 club buses.

(i) Allocations to SF Muni, SamTrans and SCCTD for CalTrain services.

(j) Includes allocations to AC Transit for contract services to WestCAT and Union City.

MTC Graphics Unit
February 1991

Attachment 1

Metropolitan Transportation Commission

101 Eighth Street, Oakland, CA 94607 (415) 464-7700

Establishment

- Created by the California Legislature in 1970 for the nine-county San Francisco Bay Area.

Duties

- Develop and annually update the Regional Transportation Plan. Develop annual Regional Transit Productivity and Transit Coordination plans. Analyze transit operator budgets and oversee performance audits. Determine annual regional highway and transit capital priorities. Review state and federal transportation grant applications. Directly allocate nearly $500 million annually to transit.

Board

- Nineteen Commissioners: Steve Weir, Chair. Sixteen voting members, appointed by Boards of Supervisors and County Mayors' Conferences; one each appointed by the Association of Bay Area Governments and the Bay Conservation and Development Commission. Three non-voting members, one each from the U.S. Department of Transportation and U.S. Housing and Urban Development, one from the State Business, Transportation and Housing Agency.

Staff

- 97 employees; Lawrence D. Dahms, Executive Director.

Transit Operator Coordinating Council

Establishment

- Creation required by state legislation in 1977.

Duties

- Coordination of routes, schedules, fares, and transfers. Joint ventures in marketing, maintenance, and purchases. Review of proposed MTC funding criteria, transit-related policies, regional transit priorities, fund estimates, and distribution of funds.

Board

- Twelve members: MTC Executive Director, Lawrence D. Dahms, Chair. General Managers of AC Transit, BART, CalTrain, Central Contra Costa Transit, Golden Gate Transit, Livermore-Amador Valley Transit Authority, San Francisco Muni, SamTrans, Santa Clara County Transit, Santa Rosa Transit and Vallejo Transit.

Service Data 1990

- 2,947 buses and trolley coaches, 5 ferries
  854 rail vehicles, 37 cable cars
  201 rail route-miles (exclusive rights-of-way)
  128,804,000 annual revenue vehicle miles
  427,150,800 annual total passengers
  11,450 total operator employees

Attachment 1

Operator Profiles

AC Transit

1600 Franklin Street, Oakland, CA 94612 (415) 891-4777

Establishment
- Voter approval in Alameda and Contra Costa counties after enabling legislation was passed in 1955.

Board
- Seven members, directly elected; John Woodbury, President.

Service Data
1990
- Fixed-route bus service in Alameda and Contra Costa counties between Richmond and Fremont, East Bay cities transbay to San Francisco, and contractual service for Western Contra Costa Transit Authority.

  766 buses
  21.6 million annual revenue vehicle miles
  62.04 million annual total passengers

Staff
- 2,000 employees; Sharon Banks, Interim General Manager.

Bay Area Rapid Transit

800 Madison St., Oakland, CA 94604-2688 (415) 464-6000

Establishment
- Created by state legislature in 1957. Voter approval of a general obligation bond issue in 1962 to construct and operate a rail system in Alameda, Contra Costa, and San Francisco counties.

Board
- Nine members, directly elected; Erlene DeMarcus, President.

Service Data
1990
- Rapid rail mass transit system in Alameda, Contra Costa and San Francisco counties with express bus service to East Bay suburban areas.

  583 rail vehicles
  32 express buses (contract service)
  71 rail route-miles (exclusive right-of-way)
  40.3 million annual revenue rail vehicle miles
  2.6 million annual revenue express bus miles
  74.8 million annual total rail passengers
  2.1 million annual express bus passengers

Staff
- 2,700 employees; Frank J. Wilson, General Manager.

Attachment 1

CalTrain

Caltrans, PO Box 7310, San Francisco, CA 94120 (415) 923-4444

Establishment

- Legislative authorization in 1977 of Caltrans to execute a contract with Southern Pacific. Service began in 1980.

Board

- Policy direction from the Project Management Committee. Five members; one representative each from SamTrans, San Francisco Muni, Santa Clara County Transit, Caltrans and Southern Pacific.

Service Data 1990

- Commuter rail service between San Francisco and San Jose.

73 rail vehicles
47 rail route-miles (exclusive right-of-way)
2,451,276 annual revenue vehicle miles
6,970,368 annual total passengers

Staff

- Approximately 325 Southern Pacific employees operate trains; 25 Caltrans employees administer the program; Preston W. Kelley, Director of Caltrans, District 4

Cooperating Area Transit Systems (C.A.T.S.)
Bus systems serving Contra Costa County and a portion of Alameda County

The Cooperating Area Transit Systems is a group composed of the Board Chairman and General Managers from four bus systems serving Contra Costa County and a portion of Alameda County. The group formed in order to work on various projects which affect the patrons such as scheduling, marketing and fares. To date, the group has been able to produce a countywide plus a portion of Alameda County system map which indicates all transit service in the area including our systems, BART rail and bus, and paratransit. C.A.T.S. has also developed and approved a uniform fare system such that all of our fare structures will be identical by September 1991. We also coordinate purchasing various equipment and parts in order to receive better prices. The members of this group include the following: Central Contra Costa Transit Authority (The County Connection), Eastern Contra Costa Transit Authority (TriDelta), Livermore-Amador Valley Transit Authority (LAVTA Wheels) and Western Contra Costa County Transit Authority (Westcat).

The County Connection provides feeder bus service to five BART rail stations in Contra Costa County. LAVTA Wheels provides feeder bus service to two BART regional bus routes. Westcat provides feeder bus service to two BART express bus routes.

Lift-equipped service is provided by the members. The County Connection operates 80 peak-hour, lift-equipped buses on 28 bus routes, four of which are express commute routes. TriDelta operates seven lift-equipped, peak-hour buses in fixed-route service. Wheels operates 28 lift-equipped, peak-hour buses in fixed-route service. Westcat operates 10 lift-equipped, peak-hour buses in fixed-route service.

Operator statistics follow for the C.A.T.S. members.

Attachment 1

The County Connection

Central Contra Costa Transit Authority, 2477 Arnold Industrial Way, Concord, CA 94520-5327
(415) 676-1976

Establishment
- Joint Powers Agreement of 1980. Service began in 1982.

Board
- Eleven members; William Dabel, Chair. One representative each from ten cities and the county.

Service Data
1990
- Fixed-route bus service in the cities of Clayton, Concord, Danville, Lafayette, Martinez, Pleasant Hill, Walnut Creek, Moraga, San Ramon, Orinda and central Contra Costa County.

  112 buses
  3,750,771 annual revenue vehicle miles
  4,062,687 annual total passengers

- Paratransit dial-a-ride services in same service area

  17 vans
  495,500 annual revenue vehicle miles
  72,000 annual total passengers

Staff
- 283 employees; Robert C. Patrick, General Manager.
- Paratransit operated by private contractor.

TriDelta

Eastern Contra Costa Transit Authority, 801 Wilbur Avenue, Antioch, CA 94509 (415) 754-4040

Establishment
- 1979

Board
- Nine-member Board of Directors

Service Data
1990
- Fixed-route bus service in the cities of Pittsburg, Antioch, Brentwood and parts of eastern Contra Costa County.

  7 peak-hour buses
  225 square miles
  2,500 passengers per weekday

- Paratransit dial-a-ride services in same service area

  10 vans
  250 passengers per day

Staff
- 43 employees; Anne Muzzini, Transit Manager

Attachment 1

LAVTA Wheels

Livermore/Amador Valley Transit Authority, 87 Fenton St., Suite 200, Livermore, CA 94550 (415) 455-5414

Establishment
- July 1986

Board
- Seven-member Board of Directors

Service Data
1990
- Fixed-route bus serviceto the cities of Pleasanton, Dublin and Livermore in Alameda County.

  29 lift-equipped, peak-hour buses
  150 square miles
  3,000 passengers per weekday

- Paratransit dial-a-ride services in same service area

  5 vans
  100 passengers per day

Staff
- 67 employees; Virendra Sood, General Manager

Westcat

Western Contra Costa CountyTransit Authority, 87 Fenton St., Suite 200, Livermore, CA 94550
(415) 724-7993

Establishment
- September 1978

Board
- Seven-member Board of Directors

Service Data
1990
- Fixed-route bus service to the cities of Pinole and Hercules and unincorporated areas of western Contra Costa County.

  10 lift-equipped, peak-hour buses
  35 square miles
  1,300 passengers per weekday

- Paratransit dial-a-ride services in same service area

  9 vans
  300 passengers per day

Staff
- 28 employees, Ron Serviss, Transit Manager

Attachment 1

GGBHTD

Golden Gate Bridge Highway & Transportation District

PO Box 9000, Presidio Station, San Francisco, CA 94129 (415) 921-5858

Establishment

- Created by state legislation in 1928 to build the Golden Gate Bridge. Authority to provide transit granted in 1970.

Board

- Nineteen members; James R. Bronkema, President. Members appointed by Boards of Supervisors in San Francisco, Marin, Sonoma, Mendocino, Del Norte and Napa counties, and the Mayor of San Francisco.

Service Data
1990

- Fixed-route bus service in San Francisco, Marin, and Sonoma counties. Ferry service transbay between San Francisco and Marin counties. Vanpooling and subscription buses in Sonoma, Marin and Napa counties.

  244 buses, 4 ferries, 19 subscription club buses
  7,200,000 annual revenue bus and ferry vehicle miles
  9,938,000 annual bus and ferry total passengers
  435,000 annual revenue club bus vehicle miles
  305,000 annual club bus total passengers

Staff

- 727 transit employees; Carney J. Campion, General Manager.

MUNI

San Francisco Municipal Railway (Muni)

949 Presidio Ave., San Francisco, CA 94129 (415) 558-3214

Establishment

- Authorized by the city charter in 1900. Service began in 1912 after voter approval of a bond issue in 1909.

Board

- San Francisco Public Utilities Commission. Five members, appointed by the Mayor; Sherry Chiesa, President.

Service Data
1990

- Fixed-route bus, trolley coach, light rail, and cable car service in the City and County of San Francisco.

  844 buses and trolley buses, 128 light rail vehicles
  37 cable cars
  72.6 light rail vehicle and 10.1 cable car round-trip route miles
  24,579,545 annual revenue vehicle miles
  235,793,859 annual total passengers

Staff

- 3,557 employees; Johnny Stein, General Manager.

Attachment 1

samTrans San Mateo County Transit

1250 San Carlos Ave., San Carlos, CA 94070 (415) 508-6200

Establishment

- Voter approval after enabling legislation was passed in 1974. Service began in 1976.

Board

- Nine members; John Asmus, Chair. Five members are elected city and county officials, one is appointed by the Board of Supervisors, and three are appointed by the six members.

Service Data 1990

- Fixed-route bus service in San Mateo County. Six trunk lines to San Francisco operated by Grosvenor Bus Lines, Inc. personnel under contract. Demand-responsive bus service (Redi-Wheels) for mobility-impaired patrons.

  302 buses and 19 paratransit vehicles
  7,369,231 annual revenue vehicle miles
  18,399,215 annual total passengers

Staff

- 463 employees; Gerald T. Haugh, General Manager.

SCCTD Santa Clara County Transit District

1555 Berger Dr., San Jose, CA 95112 (408) 299-2884

Establishment

- Voter approval after enabling legislation was passed in 1972; service began in 1973. Light Rail service began December 1987.

Board

- Five members of the Santa Clara County Board of Supervisors; Rod Diridon, Transit District Chair.

Service Data 1990

- Fixed-route bus and light rail service in Santa Clara County.

  508 buses
  50 light rail vehicles
  10.4 rail route-miles (exclusive right-of-way)
  23,048,000 annual revenue vehicle miles
  41,190,000 annual total passengers

Staff

- 2,049 employees; Lawrence Reuter, General Manager.

Attachment 1

Santa Rosa CityBus

PO Box 1678, Santa Rosa, CA 95402 (707) 524-5121

Establishment
- City of Santa Rosa began operating service in 1975 after managing a contract bus service since 1958.

Board
- Five members of the Santa Rosa City Council; Nanci Burton, Mayor.

Service Data
1990
- Fixed-route bus service in Santa Rosa (12 routes).

21 buses
850,000 annual revenue vehicle miles
1,521,127 annual total passengers

Staff
- 57 employees; Robert Dunlavey, Director of Transit and Parking.

Vallejo Transit

PO Box 3068, Vallejo, CA 94590 (707) 648-4306

Establishment
- City of Vallejo began managing a contract bus service in the early 1970's and a ferry service in 1986.

Board
- Seven members of the Vallejo City Council; Anthony J. Intintoli, Jr., Mayor.

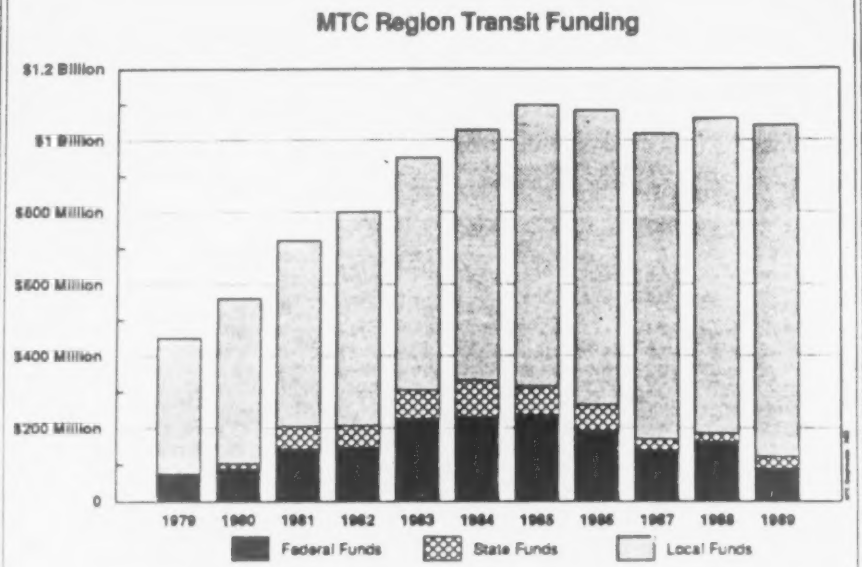
Service Data
1990
- Fixed-route bus service in Vallejo and between Fairfield, Vallejo and the El Cerrito Del Norte BART station in Contra Costa County, and Ferry service between Vallejo and San Francisco.

44 fixed-route buses - active fleet
1,580,000 annual revenue vehicle miles
1,950,000 annual total passengers

1 ferry boat
97,000 annual revenue vehicle miles
350,000 annual total passengers

Staff
- 63 employees; Edward Wohlenberg, City Manager.

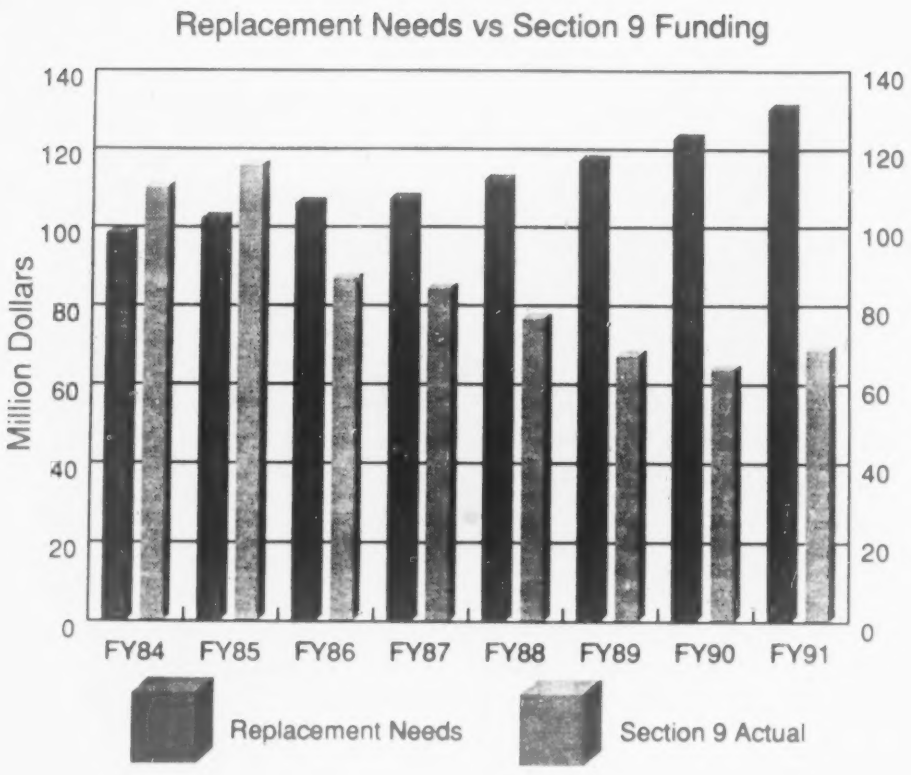
Attachment 2



Local Support Strong, State/Federal Funds Still Vital

- Over the past ten years, local funds have provided an increasing percentage of the support needed for transit in the MTC region.
- Voters of the five largest Bay Area counties have approved separate half-cent sales tax measures bringing to a full one percent the tax levied to support transportation. The region is now close to the limit in its ability to provide additional local revenues.
- While local support is strong, federal dollars remain a vital component of the transit funding partnership.

Attachment 3



Attachment 4

10-YEAR CAPITAL REPLACEMENT REQUIREMENTS
SAN FRANCISCO/OAKLAND AND SAN JOSE URBAN AREA
($ Millions)

Year	Annual Capital Replacement Requirements	Section 9 Funding	Percent Section 9 of Total Requirements (1)
1991	$ 109.7	$ 52.5	47.9
1992	150.9	"	34.8
1993	100.3	"	52.3
1994	104.0	"	50.5
1995	239.3	"	21.9
1996	183.6	"	28.6
1997	206.7	"	25.4
1998	132.8	"	39.5
1999	93.9	"	55.9
2000	157.3	"	33.4
	$1,478.5	$525.0	35.5%

(1) Including local match federal funds would cover 44% of the replacement need. No funds would be available for service expansion.

Source: Bay Area Transit Finance Plan 1989
Metropolitan Transportation Commission

Attachment 5

RAIL MODERNIZATION REQUESTS

Operator	Project	Program Year	Section 3 Share ($ millions)
Muni	LRV Purchase (14)	1989	$ 22.6
BART	A/B Car Door Replacement	1989	2.8
Muni	Metro Turnback	1990	35.4
CalTrain	Maintenance Facility (R/W)	1990	5.6
BART	Rehab. A/B Cars	1991	17.4
Muni	Metro Turnback	1991	37.5
BART	Rehab. A/B Cars	1991	23.4
CalTrain	Track Rehab.	1991	6.4
CalTrain	Maint. Fac. (Const.)	1991	18.2
CalTrain	Station Acquisition	1991	3.4
			$172.7

Anticipated FY 1991 Section 3 Funds $ 58.0 million

(0151Q)

Attachment 6

Resolution No. 1876
Amended 2/27/91

Rail Extension Program

Notes		CalTrain Ext	BART SFO	BART West Pitts (11)	BART Dublin(9)	BART Warm Springs	SCCTD Tasman	Totals	Res 1876 Totals
	Estimated Cost(1987 $'s)	468.8	518.0	401.2	396.1	376.0	325.5	2,485.6	2,348.0
	Estimated Cost(inflated $'s)	629.0	810.4	847.3	531.3	524.5	464.0	3,806.8	% of Costs
	Revenues--Local								
(1)	Alameda 1/2 cent				55.6	139.1		194.7	5.8%
(2)	BART Reserves			46.8	80.6	22.2		118.0	3.4%
	Bld New 1/2 cent	229.7						229.7	6.8%
	SamTrans								481
(2)(3)	SFO Ext Fund Transfer			37.5	28.9	24.5		100.9	2.9%
(2)	BART Buy-in			86.7	89.2	84.0		259.9	7.4%
(4)	SFO Ext Local Match		100.9					100.9	2.9%
	San Francisco							0.0	0.0%
	Santa Clara						116.0	116.0	3.3%
	JPB	232.2						232.2	6.6%
(5)	Exist. Bridge Tolls			8.0	8.0	8.0		23.9	0.7%
(2)	New Bridge Tolls			40.9	41.4	27.7		110.0	3.1%
(2)	Contra Costa 1/2 cent			243.4				243.4	6.9%
	Revenues--State								
(2)	State TCI		100.9	62.8	75.5	28.0	28.2	295.1	8.7%
(10)(6)	FCR	18.0				11.0		29.0	0.8%
(6)	Prop 108 Rail Bonds	11.0		35.0	127.0	29.0	87.8	289.8	8.3%
	Prop116 Rail Bonds		10.0	37.0	61.0	0.0		108.0	3.1%
	Revenue--Federal								
	Section 3 New Starts		808.6				232.0	840.6	24.0%
(7)	Section 3 Rail Mod	148.2						148.2	4.2%
(8)	Revenue inflation adjustment	(5.1)		(22.8)	(26.9)	(13.0)		(67.8)	-1.8%
	Total Revenues	629.0	820.4	584.8	531.3	348.5	464.0	3,378.1	96.3%
	Balance	0.0	10.0	37.6	0.0	(176.0)	0.0	(128.4)	3.7%

Notes

(1) Amount shown represents 17.17% of projected sales tax revenues

(2) Split between Contra Costa Co. and Alameda Co. by population

(3) San Mateo Co Fund Transfer should be considered State TCI funds for purposes of determining total State TCI funding per project

(4) Represents 12.5% of project costs. An additional 12.5% flows to East Bay rail extension projects (San Mateo Co. Fund Transfer)

(5) It is the JPB's responsibility to select a project and develop a financing plan which includes the commitment and participation in the project by all JPB members

(6) Programmed by CTC taking into consideration County minimum limits for State funding

(7) Capped at $109 million in 1987 dollars

(8) Adjustment to eliminate inflationary increases in revenues received after project completion

(9) Support of advancing Prop 116 funds to Dublin is contingent upon $139.1 million in Alameda sales tax commitment to Warm Springs. To be resolved is whether to construct of $48.8 million parking structure as part of $631.3 million cost

(10) Unprogrammed State commitment by CTC subject to 8 conditions including a required commitment of sufficient local funding to the CalTrain project

(11) If all funding commitments are met for the West Pittsburg project (including provisions of SB 1715), funding surplus can be considered Prop 116 or Measure C funds and used toward funding another Contra Costa County rail extension project

United States General Accounting Office

GAO

Testimony

For Release
on Delivery
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MASS TRANSIT

Historical Patterns and Future Outlook

Statement by
Kenneth M. Mead,
Director, Transportation Issues
Resources, Community, and Economic
Development Division

Before the
Subcommittee on Investigations and Oversight
Committee on Public Works and Transportation
House of Representatives

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to present our views on the Urban Mass Transportation Administration's (UMTA) 5-year, $16.3 billion reauthorization proposal.[1] Our testimony today is based on our work at UMTA over the past several years, including our ongoing examination of UMTA's oversight of grantees, and will focus on those aspects of UMTA's proposal dealing with the sources and uses of funds, increased funding flexibility between mass transit and highways, and UMTA's oversight of grantees. In summary, our work shows that:

-- Over the last decade, federal transit funding declined by almost one-third, from $4.6 billion in fiscal year 1981 to $3.2 billion today. The reduction is even larger--more than 50 percent--when inflation is considered. In addition, various legislation imposed spending limits on transit's share of the Highway Trust Fund which, at the end of fiscal year 1991, is expected to have $4.1 billion in uncommitted funds. UMTA proposes spending $16.3 billion between fiscal years 1992 and 1996 and drawing down the uncommitted balance in the mass transit account to less

[1]The Urban Mass Transportation Act of 1964, as amended, envisioned that improving transit services would not only help stem ridership declines but also help solve such urban problems as traffic congestion, air pollution, energy consumption, urban sprawl, and the unmet needs of those who cannot afford an automobile or are physically unable to drive one. Many of the anticipated benefits depended, in part, on attracting automobile users to mass transit.

than $1 billion by 1996. However, UMTA's proposal represents only a 1-percent increase over the past 5 fiscal years and could represent a decrease in purchasing power, depending on the rate of inflation over the next 5 years.

-- UMTA's proposal would allow state and local governments flexibility in allocating federal funds between mass transit and highway projects. We support a multi-modal strategy to address transportation needs. However, the proposal's success depends on eliminating the biases that favor highways and integrating transit and highway planning and decision making at all levels of government. The proposal would also shift a larger share of the financial burden to grant recipients by reducing the federal share for mass transit capital projects from 80 to 60 percent. The concept of greater cost-sharing by states, localities, and grantees can promote leveraging of scarce federal funds, but caution should be exercised in making an immediate shift of financial responsibility to transit authorities who will have to absorb the increase while maintaining service levels.

-- UMTA does not effectively oversee grantees' management and use of federal funds, which places these funds at risk for waste and misuse. In a time of tight budget constraints, it is critical to ensure that grantees use and manage funds

properly. The Department of Transportation's (DOT) Office of Inspector General has questioned grantees' use of over $250 million over the last 3 fiscal years. We found that UMTA generally did not require grantees to reimburse the misspent funds. We are not confident that UMTA's proposal to hire additional staff and assign oversight to contractors will correct UMTA's problems.

MASS TRANSIT ACCOUNT WOULD FUND LIMITED SPENDING INCREASE

On February 13, 1991, the administration announced its Surface Transportation Assistance Act of 1991 proposal, a 5-year, $105 billion package that would reauthorize mass transit programs at $16 billion and highway and highway safety programs at $89 billion. UMTA proposes funding all its programs from the Mass Transit Account (account) of the Highway Trust Fund, which is a significant departure from the current practice of using both general revenues and the account. Although UMTA's proposal represents a 1-percent increase over funding during the past 5 fiscal years, inflation over the next 5 years may actually result in a decrease in purchasing power.

Since 1964, UMTA has provided over $62 billion to help build, rehabilitate, and operate the nation's mass transit systems. UMTA provides assistance to urban areas through grants to local entities--generally transit authorities--primarily through discretionary (section 3) and formula (section 9) grant programs.

UMTA also provides assistance to rural areas primarily through formula grants to states and supports research and planning under several smaller programs.

Over the past decade, however, federal transit funding declined. On an annual basis, federal funding declined about 30 percent--from $4.6 billion in fiscal year 1981 to $3.2 billion in fiscal year 1991. (See att. 1.) To maintain the same purchasing power today that was provided by the $4.6 billion level in 1981, the present funding level would have to be about $6.4 billion. Therefore, when measured in constant dollars, funding for transit assistance has declined by more than 50 percent.

Although appropriations from general revenues have been the predominant source of federal funds for transit projects, the percentage of funding from the mass transit account of the Highway Trust Fund has increased in recent years. (See att. 2.) Since 1983, when the Congress established the account, about 30 percent of UMTA's funds have come from the account and the remainder from general revenues. As of fiscal year 1991, receipts and interest in the account totaled $14 billion. Of the $14 billion, the Congress authorized UMTA to use $10.4 billion but imposed a $9.9 billion spending (obligation) limit. As a result, at the end of fiscal year 1991, the transit account will have $4.1 billion in uncommitted funds. (See att. 3.)

Under the proposal, UMTA would fund all mass transit programs from the account, eliminating any use of general revenues. As of December 1990, the account is financed by 1.5 cents per gallon from motor fuel excise taxes. UMTA projects that the drawdown of the $4.1 billion in uncommitted funds together with fuel tax receipts and interest would be sufficient to fund the $16.3 billion proposed through fiscal year 1996. At that time, the account is expected to have $900 million in uncommitted funds.

The American Public Transit Association estimates that $6.5 billion in federal funds would be needed annually just to maintain the existing mass transit infrastructure. UMTA's proposed funding falls short of this projection. In addition, UMTA data show that the federal share to implement all new construction projects now under review would be over $10 billion. Over the reauthorization period, about $1.8 billion in federal funds would be available for new construction projects.

We should note that the administration's proposal increases funding for the highway program by over 25 percent compared with transit's 1-percent increase over the reauthorization period. We are not in a position to say what the appropriate increase in mass transit funding should be or what the allocation of fuel tax receipts should be between highways and mass transit. However, given the disparate increases, this issue should be reconciled in the context of the nation's surface transportation needs.

UMTA'S PROPOSAL HAS MERIT, BUT QUESTIONS NEED TO BE RESOLVED

Conceptually, we find merit in UMTA's proposal for funding flexibility between transit and highways but believe that several obstacles could threaten the success of multi-modal funding. In addition, we believe that caution should be exercised before shifting greater cost-sharing responsibilities to transit authorities.

Obstacles Exist to Implementing Multi-Modal Flexibility

We support a multi-modal strategy to address surface transportation infrastructure and congestion and believe that transportation should be viewed as a system whereby all modes seek to resolve these issues rather than only one mode.[2] However, we are concerned about the manner in which UMTA's proposal would be implemented, and we are concerned that it could have the unanticipated result of continuing the existing bias for highway construction over mass transit. Under the multi-modal proposal, mass transit capital projects would be eligible for certain highway funds as long as a dedicated source of funds (balanced local approach) exists, and highway projects would be eligible for mass transit capital funds.

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[2]See Transition Series: Transportation Issues (GAO/OCG-89-25TR, Nov. 1988).

The states have had some flexibility since 1973, but the program's success was limited in part because mass transit had to compete with interstate highway needs. Now, UMTA and the Federal Highway Administration propose that funding flexibility would occur with the urban/rural highway program. Successful implementation of this funding approach will depend on the effective integration of transit and highway planning and decision making at the federal, state, and local levels. We are concerned about how the obstacles for effective integration will be removed.

First, one transit objective is to move people out of their cars, and one highway premise is to build roads that can accommodate more and more cars. UMTA envisions a cooperative, federal, state, and local planning effort between mass transit and highways, but the criteria used to assess transit and highway projects may make it difficult to choose between the two modes. DOT prepares separate budgets for transit and highways, and no strategic plan exists at the federal level to provide guidance to the states, localities, and grantees to implement multi-modal flexibility. Also, given that federal dollars have predominately funded highway construction, the inclination to continue past practices and look to highways in lieu of transit may persist without federal direction or incentives to optimize flexible funding.

Second, according to UMTA officials, a balanced local approach means that states will need a dedicated source of funds that can be used for both transit and highways. According to the American Association of State Highway and Transportation Officials' data, only a limited number of states have funds that can be used interchangeably for mass transit and highways. In addition, most of UMTA's assistance is provided directly to local transit authorities, while highway assistance is provided to the states. Two major challenges to a balanced local approach will be to set up dedicated funding sources where few exist today and establish incentives to encourage states and localities to consider transit as a viable alternative mode of transportation.

Third, federal funding for mass transit and highways will remain under separate agencies--UMTA and the Federal Highway Administration. At the state and local levels, transit funding will remain primarily with urban areas and highway funding with the states. The mass transit industry is concerned that states will place greater attention and emphasis on highways to the detriment of mass transit. Highways would be eligible for all mass transit funding except for new starts (about $14 billion); mass transit would be eligible for all urban/rural highway program funds (about $22 billion). To avoid modal bias with highways and meet the flexibility envisioned in the proposal, it will be extremely important to encourage states to address traffic congestion through transit alternatives.

However, UMTA's proposal has one aspect that could form the basis for funding flexibility. UMTA currently provides funds to states that administer the (1) formula grant program for areas with populations under 200,000, (2) rural program, and (3) elderly and handicapped program. Under the proposal, UMTA would award the states a pool of funds for the three programs, and the states would determine the allocation of funds among each program. UMTA's proposal could enhance the delivery of transit services and could provide a mechanism for ensuring flexible funding because states--rather than transit authorities--already administer these programs. In addition, the proposal would protect rural and small urban areas because if a state wants to shift any of these funds to highways, the state must certify that no unmet transit need exists in small urban areas. Moreover, the areas must concur with the state's certification.

Caution Needed Before Reducing the Federal Contribution

UMTA proposes to change the maximum federal contribution from 80 to 60 percent for capital projects and from 75 to 50 percent for new construction projects. Depending on the type of transit program, grantees currently may contribute as little as 20 to 25 percent of eligible project costs. UMTA does not seem to view the proposal as a significant change because some grantees already overmatch--up to 40 percent--for new project starts.

Greater cost sharing by states, localities, and grantees can promote leveraging of scarce federal funds. This concept has merit because it could encourage transit authorities to build cost-beneficial projects, seek cost-effective alternatives, commit themselves to complete and operate projects, effectively maintain the existing infrastructure, and minimize waste and misuse of federal funds. In addition, UMTA's proposed 60-percent federal share would be consistent with highway's urban/rural program, where funding flexibility could occur but would be less than the minimum 75-percent federal share proposed for highways of national significance.

However, caution should be exercised in making an immediate and significant shift of financial responsibility to transit authorities, who will have to absorb the increase while maintaining service levels. Depending on the financial situation of individual transit authorities, it could be particularly burdensome if the authorities must look to transit users, including the elderly and handicapped, to make up the difference. In addition, the increase could be counterproductive to transit authorities' efforts to attract riders that rely heavily on automobiles.

UMTA'S OVERSIGHT DOES NOT PREVENT GRANTEE ABUSES

In a time of tight budget constraints, it is critical to ensure that grantees use and manage funds properly. However, UMTA does not effectively oversee grantees' management and use of funds. UMTA relies on grantees to certify that they intend to comply with all applicable federal requirements and are able to do so; UMTA does not verify that grantees have the management systems to do so.

On the basis of our prior work (att. 4 discusses some of these reports) and that of DOT's Office of Inspector General (OIG), DOT identified UMTA's inadequate oversight of grantees as a material internal control weakness in its 1989 and 1990 reports to the President required by the Federal Managers' Financial Integrity Act of 1982, as amended. In addition, the Comptroller General has identified UMTA grants as an area vulnerable to fraud, waste, and mismanagement.

Our current work in four UMTA regions covering about 60 percent of the grants and analysis of OIG reports over the last 3 fiscal years identified over $250 million in questionable grant expenditures that may have been available for other projects. We also found many instances in which inadequate grantee management systems contributed to the inappropriate use of federal funds. On paper, UMTA has a number of tools to oversee grantees' activities, including financial and progress reports, triennial reviews,

procurement reviews, annual audits, and contractor-provided oversight. We found that UMTA does not effectively use its tools to detect noncompliance and generally does not require grantees to take corrective actions or reimburse UMTA for misspent funds.

Under its proposal, UMTA would obtain 31 additional staff and increase its use of contractors to oversee grantees. Even with these additional resources, safeguarding federal funds will depend on a number of factors: grantees' having effective management systems, UMTA's taking a proactive oversight approach rather than relying on grantees' assurances, and UMTA's using its enforcement authorities, such as withholding funds. Without such actions, the significant federal investment in mass transit will remain at risk.

- - - -

In conclusion, we support the concept of defining mass transit objectives in the context of a nationwide surface transportation system. We see merit with some aspects of UMTA's proposal to restructure its source of funds and provide funding flexibility between transit and highways. Nevertheless, we are concerned that unless certain steps are taken the proposed flexibility could result in a bias for highways to the detriment of mass transit.

In addition, since federal transit funds could decrease in real dollars under UMTA's proposal and large demands exist for

urban and rural transit systems, it is particularly important that UMTA ensures the judicious, prudent, and effective use of scarce resources and that grant recipients manage federal funds in the most efficient and economical manner possible. Also, UMTA needs to give particular attention to program planning and oversight to avoid the deficiencies of the present system and to ensure the best use of limited federal transportation dollars in the future.

We hope our views are useful to you. We would be pleased to answer any question that you or the Subcommittee may have.

ATTACHMENT 1 ATTACHMENT 1

UMTA BUDGET AUTHORITY BY PROGRAM
FISCAL YEARS 1980 TO 1991

Fiscal year	Section 3 discretionary grants	Sections 5 and 9 formula grants[a]	Section 18 rural grants	Section 8 planning grants	Other grants[b]	Total
			(dollars in millions)			
1980	$1,625	$1,405	$ 85	$ 55	$ 808	$ 3,978
1981	2,095	1,455	73	45	994	4,662
1982	1,378	1,365	69	55	665	3,532
1983	1,607	1,956	91	50	774	4,478
1984	1,139	2,319	70	50	665	4,243
1985	1,019	2,378	72	50	613	4,132
1986	971	1,997	60	48	488	3,564
1987	915	1,925	59	45	492	3,436
1988	980	1,732	69	45	389	3,215
1989	985	1,604	71	45	450	3,155
1990	982	1,624	71	44	326	3,047
1991	1,115	1,735	70	45	294	3,259
Total, FY 1980-91	$14,811	$21,495	$ 860	$ 577	$6,958	$44,701
Cumulative, FY 1964-91	$25,101	$25,249	$ 936	$ 939	$10,551	$62,776

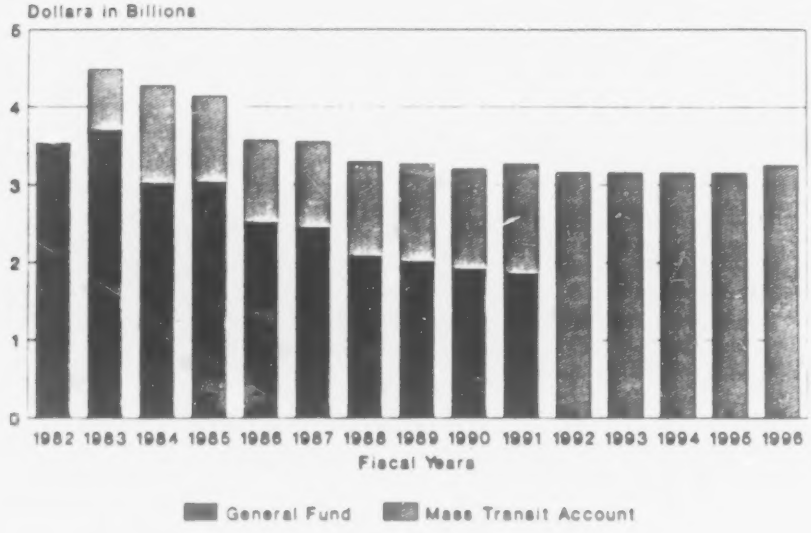
[a]Section 9 formula grants program replaced the section 5 formula grants program in FY 1983. The FY 1983 figure includes $1.2 billion in section 5 grants and $756 million in section 9 grants.

[b]Includes section 4(i) Innovative Techniques and Methods Program; section 6 Research, Development, and Demonstration Project; section 10 Training; section 11 Research and University Transportation Centers; section 16(b)(2) Elderly and Handicapped Program; section 17 Emergency Operating Assistance; section 20 Human Resources Program; Interstate Transfer Program; UMTA administrative costs; and Stark-Harris assistance to the Washington Metrorail System.

ATTACHMENT 2

ATTACHMENT 2

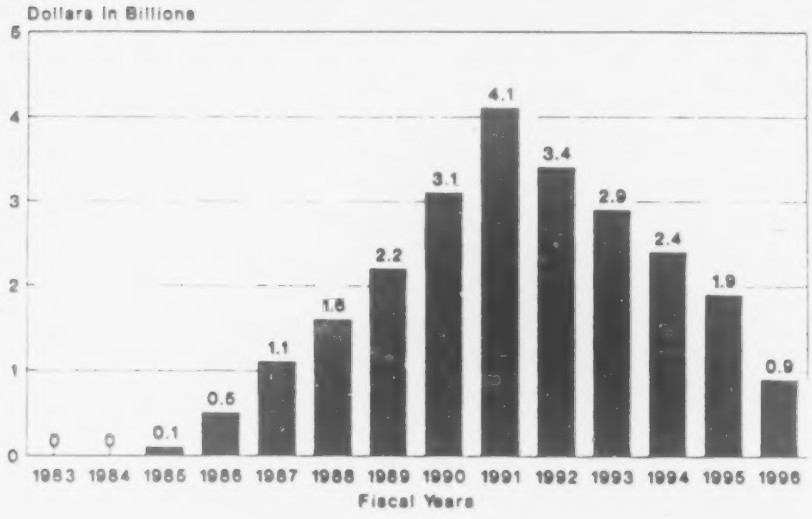
SOURCES OF UMTA FUNDS
FY 1982-1991 AND PROPOSED FY 1992-1996



ATTACHMENT 3

ATTACHMENT 3

UNCOMMITTED MASS TRANSIT ACCOUNT FUNDS FOR FY 1983 TO FY 1991 AND PROJECTED FOR FY 1992 TO 1996



ATTACHMENT 4 ATTACHMENT 4

OTHER GAO REPORTS ON UMTA

UMTA Needs Better Assurance That Grantees Comply With Selected Federal Requirements (GAO/RCED-85-26, Feb. 19, 1985)

We reported that UMTA needed better assurances that grantees comply with federal requirements. We also supported UMTA's use of triennial reviews mandated by the Surface Transportation Assistance Act of 1982. At the time of our work, UMTA could not provide us with information on the focus of the reviews or how they would be conducted. Nevertheless, we believed that triennial reviews would afford UMTA an opportunity to supplement their existing mechanisms for ensuring grantees' compliance with federal requirements. We recommended that UMTA (1) require triennial reviews to emphasize compliance with regulations not routinely covered by OIG and independent audits, (2) disseminate legal rulings on UMTA's regulations to increase grantees' understanding of and compliance with the requirements, and (3) establish guidelines for appropriate enforcement action when noncompliance is identified.

20 Years of Federal Mass Transit Assistance: How Has Mass Transit Changed? (GAO/RCED-85-61, Sept. 18, 1985)

We examined transit's role in helping to mitigate various social, economic, and environmental problems confronting urban areas. We found that (1) federal funds have helped reverse the service and ridership declines, (2) ridership gains nationwide had not increased transit's share of the commuting market, and (3) service costs had grown rapidly. We concluded that mass transit helped address a number of urban problems of congressional concern, such as traffic congestion; air pollution; energy consumption; and transportation for low-income, elderly, and handicapped persons.

 ATTACHMENT 4

Mass Transit Grants: UMTA Needs to Improve Procurement Monitoring at Local Transit Authority (GAO/RCED-89-94, Mar. 31, 1989)

We reported that the Southeastern Pennsylvania Transportation Authority (SEPTA) had major procurement system problems and UMTA had not detected these problems. Our report disclosed that UMTA's triennial review of SEPTA did not include a detailed procurement assessment, yet the review indicated that SEPTA had complied with procurement requirements. Further, single annual audits performed by public accounting firms did not include an evaluation of SEPTA's compliance with federal procurement requirements. We concluded that UMTA's monitoring procedures were inadequate to detect the weaknesses at SEPTA and made several recommendations to better focus UMTA's monitoring to detect procurement deficiencies.

Mass Transit Grants: UMTA Needs to Increase Safety Focus at Local Transit Authority (GAO/RCED-90-41, Dec. 1, 1989)

We reported that SEPTA had experienced an increase in motor bus, trolley bus, and streetcar accidents and injuries. We also found that UMTA had not adequately assessed SEPTA's safety conditions and did not consider safety in approving federal funds for SEPTA projects. We also reported that we were unable to determine the specific factors that UMTA's Administrator considered in awarding discretionary grants to SEPTA because the bases for the decisions were not documented. We recommended that UMTA, among other things, obtain more complete and accurate information on SEPTA accidents and injuries to use in evaluating SEPTA's safety conditions during triennial reviews and in selecting projects for funding. In addition, we recommended that UMTA document its discretionary funding decisions.

NORTH COUNTY TRANSIT DISTRICT
NORTH SAN DIEGO COUNTY TRANSIT DEVELOPMENT BOARD

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Executive Director

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STATEMENT OF

DINAH MINTEER

MANAGER, RAIL SERVICES

NORTH COUNTY TRANSIT DISTRICT

OCEANSIDE, CALIFORNIA

BEFORE

SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT

COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION

U.S. HOUSE OF REPRESENTATIVES

HEARING ON MASS TRANSIT

MARCH 5, 1991

P.O. Box 1099 • 311 South Tremont Street • Oceanside, California 92054 • Phone (619) 967-2828

Mr. Chairman, Congressman Packard, and other Members of the Subcommittee:

Thank you for inviting our agency to testify before you today regarding our experiences with the Urban Mass Transportation Program and the Surface Transportation Assistance Act.

The North San Diego County Transit Development Board was created by California Senate Bill 802 in September, 1975. The Board was created to operate public transit systems in its area of jurisdiction, which encompasses the northern cities and communities within the County of San Diego, California.

One of the first actions of the Board was to acquire the two existing municipal transit systems in its service area and combine them into an operating agency, which is called the North County Transit District. The District is the governmental entity which has actually provided the public transit service for the past 15 years.

The Board then set about designing a regional transit system comprised of local and regional corridor routes to serve the transportation needs of North San Diego County.

In its first full year of service, North County Transit District carried over 4.1 million passengers, using a fleet of 50 used buses acquired as part of the consolidation of systems. By

1990, this system carried over 10.6 million passengers a year, with a modern, fully accessible fleet of 133 buses acquired through various Urban Mass Transportation Administration Programs (UMTA grants).

We are especially pleased to report that the 15-year ridership increase was achieved while the agency continued to hold costs below the Consumer Price Index for the San Diego region.

The District was also able to institute a successful privatization policy which has, to date, resulted in three difference transit services being operated by private operators, or 10% of our routes.

A drug and alcohol policy was developed and put into place through the collective bargaining process in 1986, prior to UMTA issuing regulations, and a voluntary random testing program has been in effect since the beginning of 1987, a program which over 50% of our employees have joined.

Today, public transit is emerging as an important component of the nation's transportation network. With much attention focused on various clean air acts at the State and Federal levels, a renewed emphasis has been placed on public transit to help accomplish their goals.

To that end, we recently received a Section 3 grant of $1.3 million for the purchase of seven compressed natural gas buses. We are currently soliciting bids for this procurement and expect to award a contract in May, 1991. Opportunities such as this provided by the UMTA program allow our agency and our industry to be a leader in clean air strategy, which is a public health and quality of life issue we are all very concerned with today.

Recent events in the Persian Gulf have served to highlight our nation's continued dependence on foreign oil. Again, there is a vital role that public transit can play by providing a desirable alternative to the single-occupancy vehicle: as transit ridership continues to increase, demands placed on our nation's fuel supply will be reduced.

Within this framework, our industry needs to take maximum advantage of existing transportation corridors, and make necessary capital and service enhancements to allow these corridors to work more efficiently.

The North San Diego County Transit Development Board has been a recipient of UMTA funds since it began operating in 1976. Over the past 15 years, we have received Section 3 Discretionary Funds, the old Section 5 Operating and Capital funds, Section 9 Block Grant funds for Operating and Capital Needs, Section 10 Management Training funds, Section 18, Rural Service funds and Federal Aid to Urban Area funds that were transferred to UMTA. So while we may

not be the largest agency to receive UMTA funds, we do have breadth of experience with the various UMTA programs under the Surface Transportation Assistance Act.

The Surface Transportation Assistance Act created a block grant approach to Section 9 Formula Funds for each urbanized area. This approach worked very well in San Diego because it focuses on regional transportation planning and regional funding decisions.

There are 4 separate agencies currently eligible to receive UMTA funds in our region. Over the past 15 years, a high degree of regional coordination and cooperation has been fostered between our Metropolitan Planning Agency, the Transit Development Board, the State Department of Transportation, and the transit operators in our County.

By coordinating funding on a regional level, it allows more efficient use of funds. The region looks at local, State and Federal funds available for the various transit projects. We then identify the best source of funds for each of the projects given the time tables and readiness to go forward.

An example of this is the way in which Federal Aid to Urban Areas and/or Consolidated Road Program (FAU/CRP) funds are programmed in the region. In San Diego County, 15% of these funds must be used for public transit purposes. Rather than have each potential recipient receive a proportional share of this source of

funds, the region determines which single, major capital project would be best suited for this type of funding. In this example, a decision was made that FAU/CRP transit funds would be used to fund intermodal facilities in the County of San Diego. Consequently, for the past 6 years, such funds have been allocated to North San Diego County region for building innovative public transportation facilities in Oceanside and Escondido. These transit centers either do, or will eventually, serve both bus and rail modes.

The process outlined above results in a more comprehensive approach to funding and completing projects. Rather than rigidly ensure that each of the eligible agencies have a "fair share" of each pot of funds, we may decide to fully fund a specific project which is ready in a given year. Projects within the region can then go forward and take advantage of available funds. This minimizes the situation of accumulating funds over several consecutive years until a sufficient pot has been collected. It also allows us to set forward projects that are ready to go in our annual budget. Such an approach allows Federal funds to be spent in a timely manner, which is one of the objectives set forward by UMTA.

The end result is that in any given year, an eligible recipient may receive a disproportionate share of available funds. However, over a five-year planning period, there is regional equity and projects progress more efficiently and effectively than they otherwise might.

Our efforts in North San Diego County support the Surface Transportation Assistance Act proposal to increase formula funds, rather than maintain discretionary funding programs since formula programs facilitate the funding flexibility needed for the regional process to work.

We would also prefer to see such formula funds allocated to regionals (urbanized areas) as is currently done, instead of channeling funds through a State agency, which must then pass the funds down to the regions. Our experience shows that each time a new hand touches it, the amount of funds available to do the job decreases proportionately.

In regard to the reauthorization proposal, we would urge Congress to consider maintaining Federal operating assistance in urbanized areas with population over a million. In California and San Diego County, specifically, sales tax and bond initiatives have been approved mostly to support rail transportation improvements. These funds focus on capital projects which have allowed us to go forward with new rail plans.

If Federal funds also focused on capital improvements, this might encourage operators to make decisions which take advantage of available capital funds, instead of exploring less costly operational solutions to problems merely based on constraints of the funding available.

As we look to the 1990's, we are expecting to capture new ridership markets, including white collar groups and major employment centers. As we consider these discretionary riders, we nee to continue to be a progressive modern agency, providing an attractive alternative to single-occupancy vehicles.

To that end, we currently have two intermodal facilities with four more under design, which will be completed by late 1992 when our local and State funded commuter rail service begins. To date, the development of this service along an existing rail corridor has not used any Federal funds.

However, as we expend State and local bond monies to construct intermodal facilities, purchase rail equipment and better integrate existing transit services into a larger network of transportation alternatives, we urge the Committee to support our Los Angeles-San Diego Rail Corridor. As the second busiest intercity passenger corridor in the nation, the Los Angeles-San Diego Corridor would be a prime candidate for such funding.

As our ridership grows and diversifies, it is encumbent upon us to meet these changing demands by adapting our services to this new market, while not losing sight of our mission to provide cost effective alternative transportation to our citizens.

We encourage the Committee to continue to support the various UMTA programs that provide us the flexibility needed to best meet these challenges.